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Human capital in the banking sector: An exploratory study of Sri Lanka and New Zealand

A Thesis
submitted in partial fulfilment
of the requirements for the Degree of
Doctor of Philosophy in Accounting

at
Lincoln University
by
R. A. Ahesha Sajeewani Perera

Lincoln University
2015

Abstract of a Thesis submitted in partial fulfilment of the
requirements for the Degree of Doctor of Philosophy in Accounting

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By

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Businesses around the world proclaim their employees as being the corporation's most valuable resource. The field of human capital (HC) is not a new one and, studies focussing specifically on HC and its importance to organisations have been published in the academic press for several decades (Amit & Zott, 2001; Barney & Wright, 1998; Wernerfelt, 1984). However, despite continuous research attention, HC remains underdeveloped and an under-researched concept (Gambardella, Panico, & Valentini, 2015; Lewis & Heckman, 2006; McDonnell, 2011). Thus, this research contributes and extends the existing knowledge on HC to provide a comprehensive understanding by exploring the following questions: "How does the banking sector define the phrase HC?" "Why does the banking sector deem HC and measuring, managing, and reporting on HC to be important?" "What attributes of HC do banks measure, manage, and report?" and "How do HC and measuring, managing, and reporting on human capital information (HCI) in Sri Lanka differ from those practices in New Zealand?"

A qualitative case study is employed as a research approach in this study and the banking sector is chosen as the case sector. Data is collected from 10 banks in two countries, Sri Lanka and New Zealand, via conducting interviews, and gathering information from available secondary sources. The coding process resulted in descriptive codes, categories and finally themes, which are used as a basis to build a comprehensive and interesting narrative about HC in the banking sector in a developing country, Sri Lanka and a developed country, New Zealand.

This study shows that the term "human capital" is defined by the Sri Lankan banks as "a cluster of competences, diversity, engagement and values of employees" whereas, in the New Zealand context, the term "human capital" was operationalised as "a cluster of competences, values, diversity and knowledge of employees." This study examined why banks recognised the importance of HC to the banking business, with the Sri Lankan banks in particular revealing that HC has the potential to enhance overall productivity and efficiency, assist adherence to compliance requirements, ensure

banks' survival, achieve sustainable success and enhance business performance. Except for ensuring banks' survival, other reasons were endorsed by the banks in New Zealand.

Banks' evidence identifies categories of HC information that they measure, manage, and report. In particular for Sri Lanka, nine information categories were identified: training and career development, resourcing, attrition and retention, compliances, employee relations, employee welfare, diversity and equity information, health and safety, efficiency, and informal information. Confirming the Sri Lankan banks' measuring, managing, and reporting practice, the New Zealand banks also revealed that they measure, manage, and report all the above information categories except informal information, such as family background, schools attended and parents' profession. The findings further suggest that the banks in Sri Lanka and New Zealand use these measured, managed, and reported employee information for two main purposes: internal management and external reporting. Overall, findings suggest that although some disparities existed, the importance of having HC and measuring, managing, and reporting on HCI practices in these two countries were homogeneous.

Keywords: Human capital, banking sector, measuring, managing, reporting, Sri Lanka, New Zealand, qualitative approach

Acknowledgements

This thesis was result of the contributions of various people without whom the completion of this thesis would never have become a reality. I wish to express my great appreciation to all those who contributed during the period of my research and most importantly, I owe very special thanks to my supervisors, Associate professor David A Cohen and Dr. Anthony Brien, for their precious guidance, inspiration and insightful comments. I am extremely grateful to them for the way in which they boosted my confidence in the difficult time of my research and supported me to find my way to keep going. All the criticism and advice throughout the discussions were invaluable for me and spurred me on. I am also grateful to Professor Gregory Liyanarchchi, Dr. Tracy-Anne De Silva and Mr. Murray Clark for their guidance during the initial stage of this research. I am profoundly grateful to my thesis examiners, Professor Indra Abeysekera and Professor Danture Wickramasinghe for giving valuable suggestions and corrections to this work. Their comments and suggestions are invaluable to improve the quality of my thesis.

I am immensely thankful to all those banks in Sri Lanka and New Zealand who participated in the interviews. They kindly shared their time and views so willingly to make this study successful. Without their participation and cooperation, the study would not have been possible. Also, I wish to thank all the members of the Faculty of Agribusiness and Commerce, Library, IT and other individuals at Lincoln University for providing me with the necessary institutional and infrastructural support during the study.

My gratitude is also offered to the University of Kelaniya and the National Centre for Advanced Studies in Humanities and Social Science (NCAS) for arranging the required study leave and facilitating financial support for me. I would like to extend my heartiest gratitude to the members of the Department of Commerce and Financial Management and to the Dean of the Faculty of Commerce and Management studies. Also, the unwavering support of friends in the University of Kelaniya and at Lincoln University is very much appreciated.

A final word of thanks is offered to my family. I offer my heartfelt gratitude to my mother, Kamala Athukorala, for her lifelong support, encouragement and prayers. She has been long awaiting the completion of my doctorate. My father, brother and all relatives are gratefully remembered here. Last but not least, I express my love and indebtedness to dearest husband, Bimsara, daughter Vihara, and son Vidusha, for all the sacrifices they made for the successful completion of this research. Without their love, support, understanding and tolerance, this research would never have been completed. I affectionately dedicate this work to my family.

Abbreviations and Acronyms

HC	Human capital
HCI	Human capital information
MMR	Measure(ing), manage(ing), and report(ing)
CBSL	Central Bank of Sri Lanka
RBNZ	Reserve Bank of New Zealand

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Chapter 1

Introduction

As an academic discipline, the field of human resources has much to contribute to the operations of businesses of all types (Roslender, Stevenson, & Kahn, 2006). A focus on the people that a business relies upon to deliver its promises to customers would seem an obvious one, with many potential benefits flowing from a more profound understanding of employee-employer relationships (He, Li, & Lai, 2011). Whilst research has recognised that management engages in a wide variety of activities with multiple intentions (demonstrated by the various sub-disciplines recognised within the discipline), it is the investigation of the human contribution that binds them together.

Meanwhile, businesses across the world seemingly believe that there is a short supply of knowledgeable employees (Aring, 2012). Owing to the fact that employees are absolutely and justifiably an organisation's greatest asset (Mayo, 2012), businesses today fight with competitors to retain the best people within the organisation (McDonnell, 2011). Without employees' contributions, everyday business operations including decision making, managing cash flow, making business transactions, communicating with internal and external parties and dealing with customers could not be accomplished. Thus, deliberate, careful consideration of the employees' contributions to businesses of all types would seem to be central, especially to organisational success and wellbeing.

The concept of human capital¹ is not a new one. In the modern era, studies focussing specifically on HC and its importance to organisations have been published in the academic press for several decades (Amit & Zott, 2001; Barney & Wright, 1998; Wernerfelt, 1984). However, the topic remains a rather sophisticated one and therefore continues to attract research attention as in this thesis which explores the organisational human capital that business rely upon for continued business success in the banking sector.

¹ Whilst more thorough, formal definitions of human capital are presented in Chapter Two, a briefer definition is presented here to facilitate these introductory comments. Accordingly, human capital is the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being (OECD, 2001)

1.1 Background of the research

As previous research claims, the world economy shifted from the industrial era to the knowledge era in the 21st century (Goh, 2005) and mass production generated through physical assets originally drove the wealth and growth of industrial economies (Firer & Williams, 2003). However, economies began to realise that industrialisation was yielding to knowledge and technology as the generator of wealth and growth (OECD, 1996), and countries such as Canada, the United States, Australia, Japan and New Zealand recognised the role of knowledge and technology in economic growth (OECD, 1996). Thus, titles such as information economy, knowledge based economy and knowledge society generally represent different market preconditions from the traditional economic situations dealt with decades ago (Drucker, 1993; OECD, 1996).

Since then knowledge and technology have been recognised as the main input of many organisations in the knowledge based economies (Abeysekera & Guthrie, 2004). Many corporations in several industries have shifted towards information, skills, knowledge, experts, and technology since the early 1990s, due to their pronounced importance. As outlined by the OECD (1996), most advanced economies have intensively focused on knowledge based businesses, for example, in New Zealand, the contribution to gross Domestic Product by the knowledge based organisations rose from 19.9% in 1994 to 45.5 % in 2008. Similarly, employment in knowledge based organisations increased by 28 % over the period from 1994 to 2008 (*The New Zealand knowledge economy*, 2009). This makes sense as, in the knowledge based organisations, success largely depends on the people with competence (Kwon, 2009). In brief, HC in a corporation is a powerful force, which has the ability to reshape the business.

Having understood the fact that high quality people are crucial, organisations attempt to not only attract them, but also retain them (Elving, Westhoff, Meeusen, & Schoonderbeek, 2013).

Meanwhile, competitors persistently try to hire highly competent people for the jobs in order to become success for, this leads to the greatest challenge; ‘the war for talent’, (Elving et al., 2013; McDonnell, 2011) and “better talent is worth fighting for” (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels III, 1998).

The concept “war for talent” was officially introduced by McKinsey & Company, America's largest and most prestigious management-consulting firm, in their report on survey findings (Beechler & Woodward, 2009). According to the report, the war for talent is a result of the global financial crisis in 2007-2009. During this period, the only option that organisations had was to restructuring their business and downsize. This situation increased unemployment and skill shortages in many

organisations across the world; however, at that time, managing employee talent appeared to no longer be a concern for these organisations. Though mass employee downsizing occurred, organisations were well aware that high quality people are the determining factors in turning a downturn into higher profits and success; thus, all organisations wanted to ensure that they identified the right talent and managed and retained them. No organisations desired to recruit people to just fill the position (Beechler & Woodward, 2009) and this situation led to a massive competition for talent among organisations. As PricewaterhouseCoopers's (PWC) 11th Annual Global Survey showed, 89% of CEOs included a "people agenda" in their top priorities (PWC, 2008). This competition for talent is observed not only among organisations but also among nations (Lee & Lee, 2012). While the war for talent started in 2007, it is still one of the greatest challenges that organisations face today (McDonnell, 2011). As highlighted in the Human Capital Report in 2013, talent shortages are anticipated to become more severe in both developed and developing countries (World Economic Forum, 2013).

In addition to a skill shortage, the war for talent has deepened due to the fact of generation Y entering the workforce. As Swenson states, the newest generation is "globally aware, well educated, wired, and technologically sophisticated" (2008, p. 65). Swenson further stressed that this generation is able to make dramatic and constructive changes to the workforce within a very short period of time. Importantly, as Swenson claimed, the new generation are greater risk takers, hence, "they are more mobile and capable to pursue better jobs anywhere" (2008, p. 65). As Somaya & Williamson (2008) debate, employee mobility (turnover) hurts businesses because they have invested considerable funds to keep their talent, for example as Somaya & Williamson (2008) estimated, the cost of losing a highly talented workforce could be 100% - 150% of the salary of that particular employee. Thus, today's organisations fight for talent in order to make sure that their employees are not departing (Somaya & Williamson, 2008).

Based on above background information, it makes sense that HC is one of the most valuable asset to an organisation, thus, HC is a subject worthy of exploring in-depth. Relatively less attention has been paid to the study of HC in developing countries (Abeysekera & Guthrie, 2004); thus, in order to provide an in-depth understanding of this phenomenon, this study explores HC in the banking sector in the developing nation of Sri Lanka, together with the developed nation of New Zealand. More specifically, this study examines HC from the perspective of accounting.

1.2 Human capital-perspective of accounting

Bloomfield (2008) stated that people usually communicate through natural languages by selecting words from the standard vocabulary, but businesses use specially developed tools to communicate with stakeholders. In this case, “accounting” is commonly accepted as the language of any type of business regardless of whether it is the service sector (such as banks, insurance, hospitals and telecommunication) or the manufacturing sector (food, oil and tobacco) (Bloomfield, 2008; Lavoie, 1987). Accounting is defined as a “system for recording and reporting business transactions, in financial terms, to interested parties who use this information as the basis for performance assessment, decision making and control” (Marriott, Edwards, & Mellett, 2002, p. 1). Though traditional accounting focused on the financial aspects of a business, currently, the shift from financial to non-financial is visible. Businesses began to account for (record and report) many non-financial aspects such as social responsibilities (e.g. Roberts, 1992) and environmental accounting (e.g. Larrinaga-Gonzalez & Bebbington, 2001). Another aspect that makes businesses keen on accounting is its employees.

HC is arguably one of the valuable assets in an organisation (Roslender et al., 2006; Weatherly, 2003). As Berkowitz highlighted,

It's 6.p.m. Do you know where your assets are? In today's high-knowledge-based organisation, our most valuable assets walk out the door at the end of the workday. Government agencies could not achieve their mission without human brainpower,... (2001, p. 12)

In the field of accounting, the belief that employees are valuable organisational assets dates back to the early 1960s (Flamholtz, Bullen, & Hua, 2002). For the first time, Hermanson (1963, 1964) identified the requirement of valuing HC as a means of developing accounting for HC in conjunction with the other categories of organisational assets (Roslender et al., 2006). Since then the idea of accounting for HC has been on the research agenda with varying degrees of significance (Flamholtz et al., 2002). Brummet, Flamholtz, and Pyle in 1969 defined accounting for HC as “the process of identifying, measuring, and communicating information about human resources” (1969, p. 12). The purpose of accounting for HC (hereafter, measuring and reporting), highlighted by the research, was to enhance the quality of decisions made by the stakeholders through providing information about HC (Brummet, Flamholtz, & Pyle, 1968; Flamholtz et al., 2002).

From 1960 to the mid-1970s, this concept was very popular among the academic community as well as practitioners (Flamholtz et al., 2002), and a number of models were developed in order to measure the value of people. Some models used “cost incurred for employees” as the basis for

measuring the value of employees while some used “anticipated future earnings” (Brummet et al., 1968; Dawson, 1994a; Flamholtz, 1974). For example, the historic cost-based model relies on the actual cost incurred to acquire and maintain an employee. Here, the total expenses incurred for employee/s such as recruitment, placing, training and development will be considered as the value of HC (Refer to Section 2.3.1 below). Research has argued that this measure of the value of HC has significant implications not only as a powerful managerial tool in the case of internal decision making (Ogan, 1988; Tomassini, 1977), but also for external decision making (Hendricks, 1976; Weiss, 1972).

However, the interest in measuring and reporting HC started to decline after the mid-1970s (Flamholtz et al., 2002), with research criticising the concept of measuring and reporting HC, claiming that it just focuses on putting people on the balance sheet and treating HC as other financial assets (Flamholtz, 1985). Further, another widespread idea was that including measuring and reporting HC was not essential and could be additional work for the business (Flamholtz, 1985; Grojer & Johanson, 1998), as Grojer and Johanson (1998) stated, most of the controversial arguments largely highlighted the inappropriateness of measuring and reporting HC.

Since 1998, academics have examined why accounting for HC has failed. In this regard, researchers identified that the understanding of the meaning of measuring and reporting HC is incorrect. As researchers argued, previous studies endeavoured to assess the monetary value of an employee, though the term measuring and reporting HC does not mean this (Flamholtz et al., 2002). Its base is about (1) providing numerical information about people as an organisational resource, and (2) facilitating stakeholders’ decision making (Flamholtz et al., 2002). After the 1980s, the rise of knowledge based organisations and a boom in the service sectors contributed to HC becoming more valuable than the physical assets (Dae-Bong, 2009; Heckman, 2002; Woodhall, 2001). As a result of these clarifications and changes, the interest in measuring and reporting HC has been re-ignited (Flamholtz et al., 2002; Grojer & Johanson, 1998).

While it is proposed above, HC is a valuable organisational asset for businesses and as such they are keen on measuring and reporting it, regulators still believe that employees are simply a cost to the business (Roslender et al., 2006). The International Accounting Standard (IAS) 38 was issued by the International Accounting Standards Board (IASB) prescribes the accounting framework for intangible assets. IAS 38 provides a definition for the term intangible asset as an “identifiable non-monetary asset without physical substance” (International accounting standards Board (IASB), 2012, p. 1) and listed criteria and accordingly, to become an intangible, an asset needs to first, fulfil those criteria. They are;

1. Identifiability- (1) Ability to be separable (capability of being separated or divided from the entity) and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so, (2) Arises from contractual or other legal rights.
2. Ability to control –power to obtain benefits from the asset
3. Ability to gain future economic benefits such as earn revenues and reduce costs

HC somewhat fits the first criteria, identifiability, as the cost of employment can be readily identified and quantified. However, people cannot be exchanged at will, cannot be (completely) controlled, and cannot provide guarantees about the future economic benefits that can derive from employees. Employees may be restricted by employee contracts but they have the possibility to resign from the job regardless the contracts (Vergauwen & Alem, 2005). Thus, IAS 38 do not permit businesses to recognise HC as an intangible asset on balance sheet (Khan & Khan, 2010) and as IAS 38 prescribed, cost associated with HC needs to be considered as an expense rather than an asset.

After 2001, the IASB developed the International Financial Reporting Standards (IFRS) in order to enhance the transparency, accountability, and efficiency in reporting corporate information to external parties; countries across the world gradually adopted IFRS. However, the introduction of IFRS did not provide a solution to the absence of a generally accepted standard for measuring and reporting HC, as Abeysekera (2007) noted, the IFRS took a step backwards in measuring and reporting HC. As Vergauwen and van Alem (2005) stated, the IFRS in fact has condensed the amount of intangibles reported in the financial statements, further, absence of a generally accepted standard for measuring and reporting of HC was criticised by Berkowitz who stated that “the assets that really count are the ones that the accountant does not count” (2001, p. 16).

Since the adoption of the IFRS did not make any changes to the measuring and reporting of HC, countries across the world tended to focus on voluntarily reporting with researchers, practitioners and consulting firms investigating various ways of identifying, measuring and reporting HC (Guthrie, 2001). For example, Kaplan and Norton (1996) developed the balance scorecard method to measure HC together with other information and then report to stakeholders. Though the accounting profession is reluctant to intervene, some other statutory bodies such as stock exchanges, have also started relying on voluntarily reported information (Abeysekera, 2007), which implies the importance of having such information to understand organisational behaviours.

Indeed organisations are rich in measured and reported HCI from the recruitment to the resignation of employees, but as researchers argue the major problem associated with human resource information is the absence of proper ways to manage it (Baron & Armstrong, 2007; Singh, 2000). Thus, this study goes beyond the accounting perspective and explores the managing of such measured and reported information (Refer to Section 2.3 below for in-depth information about measuring, managing and reporting on HCI).

This above information implies that the field of measuring, managing and reporting HCI can be further developed in order to reveal organisational practices; thus, this research will address the level of current measuring, managing, and reporting practices to provide (1) an insight into what extent banking sector use these practices, and (2) an opportunity to encourage the accounting profession, researchers and industry personnel to build a debate on including HC issues within the accounting framework in Sri Lanka and New Zealand rather than mere disclosure.

1.3 Human capital and the banking sector

Few studies have focussed on the HC phenomenon in general in the banking sector, these the reason for selecting the banking sector as the context for this study. First, while research has emphasised the importance of HC for “every business” (e.g. Memon, Mangi, & Rohra, 2009); however, some research argues that service sector organisations are more highly contingent on HC than manufacturing organisations (Clulow, Gerstman, & Barry, 2003; Gebauer, 2003). Arguably the manufacturing sector (such as the industrial and agricultural sectors) depend heavily on machinery in their production process with the support of HC; however, for service sectors (such as banking, finance, and information technology), the fuel and energy that drive the business come from people (Gebauer, 2003; Stephen, Waswa, Venancio, & Joseph, 2014). Conversely, service sector organisations largely depend upon humans to deliver their promises to customers with support from machinery, IT, etc. and in these cases, both tangible assets and intangible assets contribute to the competitive differentiation (Holland, 2009); however, it is noted that, in service oriented organisations, the competitive edge is the HC (Curado, 2008; Gebauer, 2003; Gratton & Ghoshal, 2003) and as a part of the service sector, the banking sector performs in keeping the knowledge central (Mavridis, 2004).

The competitive environment on the banking sector was intensely altered over the past several decades due to major changes the banking sector experiences, such as technology development, deregulation, and globalisations (Chen, 2012; Gardener & Molyneux, 1990; Goddard, Molyneux, Wilson, & Tavakoli, 2007; Matthews & Thompson, 2008). Technological advancement helped the

entering of new products and services to the industry, changed the speed and way of delivering financial services, and controlled cost (Beccalli, 2007), while Globalisation created an environment where more investors entered into the market (Nellis, McCaffery, & Hutchinson, 2000). Deregulations and liberalisation eased barriers imposed on the market (Wilson, Casu, Girardone, & Molyneux, 2010). All these changes let new competitors enter in to the banking industry (Gardener & Molyneux, 1990).

Due to the high competition in the industry, banks had to explore resources that helped in achieving business success. As demonstrated in the previous research, intangible assets such as human capital have the potential rather than other assets to achieve sustainable competitive advantage (Clulow et al., 2003). Watkins (2000) debates that in the banking sector, it is easy to duplicate bank products that are publicly available (including online) and the only resource that cannot be duplicated is its people; thus HC plays a prominent role in the banking sector.

Though HC is recognised as a key factor in the banking sector, some could argue that there is less direct involvement of employees because of the wide use of online banking services which are highly popular among customers (Han, 2008). However, research has provided some contradictory but interesting evidence in this regard with Carlos, Guinaliu, and Torres (2005) notify that online banking is less trustworthy compared to branch banking where employees are directly involved in customer service. Additionally, Sarel and Marmorstein (2003) stated that online banking does not convince customers of the benefits and the values it provides and Mermod (2011) revealed that, although it is easier to attract customers to online banking, losing them is easier when there is a problem with the reason being the less opportunity to resolve problems and the inconvenience.

Second reason for selecting the banking sector is the relative importance of the banking sector for the economies of both countries (New Zealand and Sri Lanka). As in the developed world, banking is an essential industry in Sri Lanka, a developing country, and as the nation grows and continues to develop, banking practices are likely to increase in importance (Central Bank of Sri Lanka (CBSL), 2013). The Institute of Personnel Management of Sri Lanka (IPM) annually evaluates organisations for its 'National HR Excellence Awards', where organisations are recognised for excellent operations after assessing them on several different managerial criteria. The criteria includes people development, management of talent, levels of employee engagement and capability growth among other characteristics. Among the 12 competed industry sectors (Refer to Figure 1-1 below), banking has been judged as an exceptional contributor towards HC, its development and utilisation, hence, the banking sector was selected for this study of MMR on HCI.



Figure 1-1: Human resource excellence awards in Sri Lanka

In New Zealand, the banking sector is considered important, because of its contribution towards the entire economic system (Bollard, Hunt, & Hodgetts, 2011) and as research highlights, the success of the banking sector significantly depends on its HC (Bollard et al., 2011; Sahrawat, 2008).

A third reason is (as stated in Section 2.4 below), studies on HC in the banking sector in both countries are fairly rare (e.g. in Sri Lanka, Arachchige & Weerasinghe, 2012; Dharmasiri, 2010; in New Zealand, Sahrawat, 2008) with MMR on HC in the banking sector in Sri Lanka and New Zealand a relatively neglected topic.

On the basis of the reliance of HC in the banking sector, and the lack of literature that examines, MMR on HCI in the banking sector in Sri Lanka and New Zealand, it is valid to explore the HC in banking in Sri Lanka and New Zealand. A better understanding of HC in this context will contribute to this ongoing development and allow banks to increase their efficiency and contribution to all stakeholders, in this context, the banking sector is the ideal sector to explore the HC question.

1.4 Problem statement, purpose and significance of the study

From its origin in 1776 (Smith, 1776), HC has been a focus for both researchers and business professionals and as a result, a substantial amount of research and consultant papers have been published which attempt to understand the nature of HC.

In more recent times, interest in measuring and reporting on HCI has increased (Wickramasinghe & Fonseka, 2012); yet, the majority of these studies have focused on an intellectual capital which is commonly accepted as consisting of three components: HC, organisational capital and customer capital (Bontis & Fitz-enz, 2002; Kym & Moon, 2006; Tovistiga & Tulugurova, 2009). As such, researchers who study the measuring and reporting on intellectual capital focus on all three aspects simultaneously with the purpose of more thoroughly understanding the nature of intellectual capital, however this has resulted in a limited understanding of the complexities of each individual component. Since HC has been investigated within the context of intellectual capital, to date very little research has focussed on the MMR of the HC component in isolation.

As the literature review suggests, the published research on intellectual capital and HC research rarely reflects actual organisational practices and as Adams and Larrinaga-Gonzalez (2007) have recognised, there is a growing concern in management research over the distance between research and practice. Further, Adams and Larrinaga-Gonzalez argue that articles published in top management journals are of little relevance to practice. A situation is also evident in both intellectual capital and HC research (Dumay & Garanina, 2013; Guthrie, Petty, & Johanson, 2001; Guthrie, Ricceri, & Dumay, 2012; Marr & Chatzkel, 2004).

Petty and Guthrie (2000) state there is a gap between what researchers do and what businesses know and at a minimum, there is no consensus on definitions of the terms between researchers nor by industry personnel. Marr and Chatzkel (2004) note that some organisations still use the words employee relationships, experience and knowledge, they do not essentially use the term HC. Robinson (2009) demonstrates that many organisations seem to be unaware of the use or meaning of the phrase “measuring HC”. In this context, researchers are encouraged to conduct more research on organisational practices (Dumay & Garanina, 2013; Guthrie et al., 2001; Guthrie et al., 2012; Marr & Chatzkel, 2004).

In this context, much of the research published is within the scope of intellectual capital, and little research has focused on the greater set of issues of either MMR on HCI. Further, published academic articles tend to be less relevant to organisational practices and no studies were found which focused on a combination of all three concepts; MMR with HC, hence, a comprehensive understanding of the three phenomena from the organisational point of view is lacking (Dumay & Garanina, 2013; Guthrie et al., 2001; Guthrie et al., 2012; Marr & Chatzkel, 2004).

This gap in the literature and knowledge can be filled by empirical research related to MMR on HCI (Dumay & Garanina, 2013; Guthrie et al., 2001; Guthrie et al., 2012; Marr & Chatzkel, 2004), with the purpose of addressing;

How is human capital information measured, managed and reported in the banking sector?

On the basis of the above discussion the overall research problem formulation requires identifying organisational practices inherent in human capital and the three practices in the banking sector in Sri Lanka and New Zealand. This leads to the development of five sub research questions that are addressed in this study. The first research question is developed with the purpose of exploring the banking sector's understanding of HC. The question is posed to allow the banking sector to define the term HC which will highlight the differences between theoretical definitions and the banking sector's definition. Hence, the first research question for this study is as follows:

1. What does the phrase "human capital" mean to banks?

The second and third research questions comprehensively explores the importance of human capital to the banking sector, and the purpose behind the banking sector engaging in MMR on HCI. It is developed as:

2. Has the banking sector deemed human capital to be important, and if so why?

3. Has the banking sector deemed measuring, managing, and reporting human capital information to be important, and if so why?

Various HC attributes are present in different ways for measuring, managing and reporting in the banking sector, therefore the fourth research question is developed as follows.

4. What attributes do banks identify and then use to measure, manage and report human capital?

To date, no literature has been published comparing these HC phenomena in the banking sector in Sri Lanka and New Zealand. Hence, the comparison between businesses in two different contexts - one developing, one well-developed - will provide additional insights into the meaning and use of HC as presented in the fifth question.

5. How does human capital and measuring, managing and reporting on human capital information in the banking sector in Sri Lanka differ from New Zealand? If it does why might this be so? and to what end?

This study is important for several reasons. First, from a theoretical point of view, HC remains “underdeveloped” and “an under-researched concept” (Lewis & Heckman, 2006). Prior research studies have enhanced an understanding of the contribution of HC to businesses; however, these studies have not provided a definitive, shared view of the concept. McDonnell (2011) argues that managing HC is one of the greatest challenges in recent decades, thus, many questions surrounding HC are still to be answered. Hence, by answering some key unaddressed questions, this study facilitates an increase in the understanding of HC in organisations, especially banking sector organisations in Sri Lanka and New Zealand.

Second, as stated in Section 1.2 above, accounting acts as the tool in communicating an organisations’ financial state and performance (Bloomfield, 2008) and non-financial information (HC, patents, environment, social responsibilities), it also communicates by the financial statements (GRI, 2013). However, less attention has given to comprehensively investigating HC from the viewpoint of accounting, as Abhayawansa & Abeysekera outlined, “Within the (Accounting) literature, HC has not been sufficiently conceptualised and operationalised” (2008, p. 60). Thus, it is important to examine HC within the scope of accounting.

Third, this study has focused on two countries; New Zealand, a developed nation, and Sri Lanka, a developing nation. As the first comparative study in the field of HC, this study provides a comprehensive understanding about how MMR on HCI in the banking sector differs between Sri Lanka and New Zealand.

Finally, in the case of Sri Lanka and New Zealand, a few studies have been found on measuring, managing, and/or reporting of HC (Abeysekera & Guthrie, 2004; Trinh Le, Gibson, & Oxley, 2005; Wickramasinghe & Fonseka, 2012). Yet no studies have focused on the banking sector as a whole and therefore the banking sector provides a desirable research setting. This study aims to fill this gap offering a new insight into how the banking sector MMR on HCI in Sri Lanka and New Zealand.

1.5 Structure of the thesis

This thesis is organised in nine chapters. A brief outline of each chapter is provided below.

Chapter One: An introduction

This chapter explains the background of the research, research problem and research questions. Further, it delivers the motivation to conducting this research project.

Chapter Two: Literature review

The objective of this chapter is to review the literature underpinning HC and the three related concepts specific in this research; MMR. The chapter elaborates on the historical development of HC and the emergence of the three practices. It reviews theoretical and empirical evidence into what and why banks engage in three practices of human capital. Accordingly, Chapter Two provides the basis for forging a theoretical understanding of the concepts that are the focus of this study, with the aim of highlighting the gaps in the literature and formulating research questions.

Chapter Three: Method

This chapter explains various research paradigms and methods. More specifically, the chapter discusses the philosophical orientation of the researcher, data collection methods (including details of designing the interview guides), the targeting of potential interviewees, gaining access to and developing rapport with the interviewees, the finer points of purposeful sampling procedures, and the conducting of interviews. The chapter then provide a brief introduction to the data analysis process.

Chapter Four: Data analysis process

This chapter describes the process of data analysis and specifically details how this study created text to work on, and the coding process (including developing descriptive codes, categories and themes). More importantly, the coding process is explained with relevant examples.

Chapter Five: Defining human capital

This chapter attempts to create definitions for HC based on collected data, one for the banking sector in Sri Lanka and another for the banking sector in New Zealand. It then compares the definitions of the two countries. Further, this chapter compares the two definitions with the existing definitions in the literature.

Chapter Six: The reasons for the significance of human capital in Sri Lanka and New Zealand Banks

Chapter six attempts to explore why the banking sector in Sri Lanka and New Zealand has deemed HC to be important. Derived from the findings of this chapter, it aims to construct two frameworks: one for Sri Lanka and another for New Zealand. Finally, these frameworks are compared with the support of existing theories.

Chapter Seven: Measuring, managing and reporting of human capital information

This chapter deals with the three concepts of this study, MMR on HCI in the banking sector in Sri Lanka and New Zealand. More specifically, this chapter discusses what human capital attributes the

banking sectors measure, manage and report, and how the two countries' practices are different from each other.

Chapter Eight: The significance of measuring, managing and reporting human capital information in Sri Lanka and New Zealand Banks

This chapter is highly weighted in terms of its importance as it constructs two frameworks for the significance of MMR on HCI in Sri Lanka and New Zealand. Drawing on the findings, this chapter then makes a comparison between Sri Lanka and New Zealand.

Chapter Nine: Conclusion, limitations, and recommendations for future research

This final chapter summarises the thesis findings and discusses how the research questions proposed for this study are answered. Further, the chapter provides conclusions drawn from the analysis, and limitations of the study. Finally, directions for future research are provided.

1.6 Summary of chapter one

This chapter has focussed on the presentation of an interesting, challenging problem that is open to scholarly investigation. Whilst the concept of HC is not of itself a new one, research has emphasised the requirement of conducting more research on the accounting perspectives of HC. Especially, the ways in which businesses MMR on HCI has been the focus of very little research. These three joined processes have not been investigated, as a whole, in either developed or developing economies. Further, no research has compared the HC between Sri Lanka and New Zealand, and focused on the banking sector in Sri Lanka and New Zealand.

The study outlined above was designed to fill these research gaps, taking a comparative approach in order to identify differences between developed and developing economies, to document similarities and differences between them, and to contribute to our thinking about the concept of HC. The study addresses this gap in the literature as it explores MMR on HCI in Sri Lanka as a developing country, and New Zealand as a developed one which is an unexplored theme. The chapter has provided an outline of the study designed to accomplish these tasks.

Chapter 2

Literature review

2.1 Introduction

Measuring, managing and reporting on HCI has been reported in a diverse range of publications such as academic conferences, books and book chapters, research articles published in academic journals, working papers, and reports issued by consulting firms (e.g. Armstrong, 2006; Ax & Marton, 2008; Chartered Institute of Personnel and Development (CIPD), 2005; OECD, 2011b) while this provides testimony to the increasing recognition of the research phenomenon (Ax & Marton, 2008; Baron & Armstrong, 2007; Chaudhry & Roomi, 2010; Petty & Guthrie, 2000; Verma & Dewe, 2008; Wickramasinghe & Fonseka, 2012). However, issues relating to the HC question remain unresolved such as absence of common measurement methods, thus the extant literature has yet to integrate the three practices related to HC: measuring, managing and reporting (Abhayawansa & Abeysekera, 2008; Castro, 2014; Lewis & Heckman, 2006), this has left gaps in our understanding of the way HC are utilised in modern business (Bontis & Fitz-enz, 2002).

To highlight the gaps, this chapter reviews and synthesises the literature focussed on HC and the three HC practices of measure, manage, and report. This chapter begins by providing an understanding of how the concept of humans are treated as capital, it then examines the definitions currently in use for HC and examines the importance and contribution of HC to organisations. Second, definitions of measuring, managing, and reporting HCI are reviewed, third, the evolution of these practices is reviewed. Finally, the varying types of information businesses generate and the reasons for organisations to engage in the MMR are reviewed. Research gaps in the literature are also identified (Refer to Figure 2-2 below).

2.2 Human capital

2.2.1 Human beings as capital

Until the early 1960s, the main factor impacting organisational production was physical capital - land, labour-hours, and machines (Nafukho, Hairston, & Brooks, 2004). Economists realised, however, that the rate of increase in national output exceeded the contribution from the growth rate for these production factors and suggested that the reason for this difference was HC (Lucas, 2015; Schultz, 1961; Sweetland, 1996). Many controversial arguments were raised by economists in attempting to address such questions as “What is the wealth of a nation?” and “How can human

beings be regarded as capital?" As a result of these arguments, a consensus about "human beings as capital" finally appeared among researchers and practitioners (Kirk, 1999).

This dynamic shift in thinking resulted in the emergence of the revolutionary concept; "human capital"; however, this did not occur immediately and studies focussing on "human beings as capital" have been published in the academic press for several decades from 1700-2000 (see Marshall, 1890; Schultz, 1961; Smith, 1776; Sweetland, 1996; Tan, 2014). The following paragraphs explain the development of the idea of thinking of human beings as capital.

Arguably, one of the first studies on HC was published in 1776 by the philosopher Adam Smith's in a book titled "An inquiry into the nature and causes of the wealth of nations" and appeared to set in motion a concern for what the individual person could contribute to a more generally felt economic prosperity. The introductory paragraphs of the book argued that the root cause of the wealth of a nation is human effort.

The annual labour of every nation is the fund which originally supplies it with all the necessities and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations....
(p. 12).

The number of useful and productive labourers, it will hereafter appear, is everywhere in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed
(p. 13).

Smith further explains how HC becomes a part of the stocks of a nation in "Book 2 of Wealth of Nations- of the Division of Stock" which stated the types of resources possessed by a country. One part is that which is set aside for immediate consumption, which includes fixed capital and circulating capital. Smith defined fixed capital as the combination of machines and instruments, buildings, improvements of land, and HC. Here, HC is defined as:

... the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person (p. 368)

Thunen (as cited in Schultz, 1961, p. 2) also agreed with Smith's view of "human beings as capital" in his article of 1875 titled "Der isolierte Staatin".

However, Smith's view did not gain universal agreement. Shultz (1961) commented that some economists disagreed, offering contrary arguments to the view of "human beings as capital"

because treating human beings as capital was not only degrading, but also ignored the values and beliefs that reside in people and motivate their activities. Some researchers expressed a quite different view about human beings as capital. For instance, Marshall's (1890) and Mill's (1926) views are more tilted towards emphasising the economic value of people as capital.

Around 1890, Alfred Marshall created the empirically defined terms "wealth" and "capital". Marshall (1890) argued that, wealth or in other words, "engines of production" in a nation comprised three components; land, labour and capital and he further expressed what each of the components means. "Land" is a natural resource that assists man, and labour is the "economic work of a man". Capital is defined as; *"All stored –up provision for the production of material goods, and for the attainment of those benefits which are commonly reckoned as part of income"* (Marshall, 1890, p. 115). Marshall considered "labour" as a separate component, yet "knowledge", embedded in people, was included in the "capital" component. According to Marshall the most influential source of production is knowledge.

In 1893, Mill argued that human abilities are embedded in the individual, and should not necessarily be considered as wealth.

A country would hardly be said to be richer, except by metaphor, however precious a possession it might have in the genius, the virtues, or the accomplishments of its inhabitants; unless indeed these were looked upon as marketable articles, by which it could attract the material wealth of other countries (1926, p. 48).

However, many HC researchers appear to have interpreted the above statement incorrectly. As noted by Sweetland (1996), Mill does not require human abilities to have a market exchangeable value in order to be included in the definition of wealth. Further he did not devalue human abilities nor believe that economists should ignore human capital. Quite the contrary, Mill (1926) constructed the "human as a utility". Thus, it is clear that Mill did not completely disagree with Smith's view. The following quotations clearly show Mill's view of HC.

Human is not creative of objects, but of utilities. ... When we are asked to produce objects, we only produce utilities (p. 45)

...utilities fixed and embodied in human beings; the labour being in this case employed in conferring on human beings qualities which render them serviceable to themselves and others. To this class belongs the labour of all concerned in education; not only school masters, tutors, and professors, but governments, so far as they aim successfully at the improvement of the people; moralists, and clergymen, as far as productive of benefit... (p. 46)

It appears that Marshall's view about agents of production is quite similar to Mill's economic utilities perspective as both discussed the "economic value of human capabilities". It seems that Mill and Marshall were not rejecting Smith's view directly, but due to an absence of marketable economic value for human capital, they cleverly (perhaps intentionally) strictly dismissed enclosure of HC in the definition of wealth and then from capital as well (Sweetland, 1996).

In 1906, the American economist Irving Fisher disagreed with Marshall's and Mill's view about the economic value of human capital.

It would be wrong, however, to conclude, as some writers have, that because we cannot value them accurately, public parks or freemen cannot be called wealth (p. 17).

He further argued that there are more important things than considering the marketable economic value of human capabilities. For example, Fisher (1906) expresses that in earlier times, slaves were included in the wealth of the country; however, they ceased to be treated as wealth after the abolition of slavery. When excluded from analysis, this created a sharp reduction in economic statistics describing wealth, and thus created a set of practical problems for the country. According to Fisher (1906), such valuations are more theoretical than practical, thus, Fisher's arguments encouraged economists to search for reasonable solutions to many empirical problems associated with valuing HC (Sweetland, 1996). Fisher not only disagreed with the early writers' views about human capabilities but expressly stated that "wealth in its broad sense includes human beings" (p. 51). This is a confirmation of Smith's view. After Fisher's article in 1906, it was rare to find published works arguing "human as capital". This means that the term HC has an extensive but disjointed history (Kiker, 1966; Tan, 2014).

Fisher's (1906) view also possibly contributed to extensive philosophical discussions about HC (Sweetland, 1996). Kiker (1966) wrote an article about its development in which he clearly explained that after many debates, the majority of economists' appeared to hold that HC should be included as "capital". This inclusion was due to the fact that (1) the cost of rearing and educating human beings is a real cost, (2) the product of their labour adds to the national wealth, and (3) an expenditure on a human being that increases this "product" will increase national wealth.

At present, it would seem that researchers have widely accepted the notion that the human being is a form of a capital. An extensive amount of research in different fields such as economics, strategic management, human resource management, accounting and knowledge management provide evidence that the human being is seen as a form of capital (Abeysekera, 2008c; Ax & Marton, 2008; Beattie & Smith, 2010; Courchene, 2002; Dae-Bong, 2009; Daly, 1998; Dar, Yusoff, & Azam, 2011;

David, 2001; Del Valle & Castillo, 2009 ; Elias & Scarbrough, 2004; Garavan, Morley, Gunnigle, & Collins, 2001; Lutz & Samir, 2011). The next section of this chapter reviews the literature to understand how researchers have defined the term HC.

2.2.2 Definitions of human capital

Numerous definitions are used in the literature interchangeably with reference to HC. In examining prior studies, this section aims to highlight the absence of unanimous agreement among researchers over the definition of HC, however, there are several individual terms which are common across more than one definition. A selection of the definitions are presented below in Table 2-1, with the subsequent discussion focussing on the components that are common across definitions.

Table 2-1: Definitions of human capital

Human capital	Definitions
Becker (1964)	The stock of knowledge, skills and abilities embedded in an individual that results from natural endowment and subsequent investment in education, training and experience.
Sveiby (1989)	Formal education, acquired experience and skills, social competence and ability to turn it all into action.
Kaplan and Norton (1996)	Employee capability, employee satisfaction and employee sustainability.
Roos et al., (1997)	Competence, attitude and intellectual agility.
Edvinsson and Malone (1997)	Individual capabilities, knowledge, skills and experience of a company's employees and managers.
Bontis (1999)	HC is the combined intelligence, skills, experience, education and expertise that give the organization its distinctive character. They are capable of learning, changing, innovating and providing the creative thrust which, if properly motivated can ensure the long-term survival of the organization.
Sullivan (2000)	Collective experience, skills and general know how of all the firms' employees.
Brennan and Connell (2000)	Knowledge, skills and motivation and team relations.
Guthrie & Petty (2000)	Individuals' education, skills, training, values and experiences.
OECD (2001, 2011a)	The knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being.
Bontis and Fitzenz (2002)	Knowledge, talent and experience of employees.
Cuganesan, Finch and Carlin (2007)	Skill, training and education, experience and value characteristics of an organisation's workforce.
Tovstiga and Tulugurova (2009)	Competence (knowledge and skills), attitude (motivation and mind-set) and intellectual agility (flexibility to adapt to changes).

Baron (2011)	Knowledge, skills and experience of individuals and also their willingness to share these attributes with the organisation to create value.
Lee and Huang (2012)	Knowledge, skills and work experiences of a company's entire staff and management.

As presented in above table, many researchers have included "knowledge" in their definitions (Baron, 2011; Becker, 1964; Bontis & Fitz-enz, 2002; Brennan & Connell, 2000; Edvinsson & Malone, 1997; Lee & Huang, 2012; OECD, 2001; Tovistiga & Tulugurova, 2009). Knowledge can be defined as "the combination of both information and person-specific phenomena such as experiences, values and perceptions" (Smolnik, Kremer, & Kolbe, 2005, p. 29).

Knowledge has also been classified into two categories, implicit and explicit, by a number of scholars (Dienes & Perner, 1999; Ellis, 2005; Evans, Venn, & Feeney, 2002). The distinction is an important one: implicit knowledge is embedded in people (Bhardwaj & Monin, 2006), and is considered important because it has a potentially huge impact on everyday decision-making via rational processes (Evans et al., 2002). This kind of knowledge is responsible for both everyday activities and achieving personal and organisational goals (Bhardwaj & Monin, 2006; Schnieders, Vergauwen, & Bollen, 2005). In contrast, explicit knowledge depends on the individual's information processing capacity. Hence, whilst occasionally a slow process, it guides reasoning and the decision making process (Evans et al., 2002). Researchers have discussed these two types of knowledge; however, distinguishing between them is not an easy task (Smolnik et al., 2005). Regardless of type, an increase in knowledge is recognised as necessary for enhancing employee capabilities (Freeze & Kulkarni, 2007).

The term "capabilities" denotes what people are actually able to be and do (Nussbaum & Glover, 1995) and what they can accomplish. In terms of organisations, capability has to be dynamic (Wang, Jaw, & Tsai, 2012) and all employees have to be capable enough to prepare, extend and review quickly within shorter periods of time in order to achieve maximum performance (Bhattacharya, Gibson, & Doty, 2005; Teece, Pisano, & Shuen, 1997; Youndt & Snell, 2004). Some researchers have identified this as "flexibility" (Bhattacharya et al., 2005; MacDuffie, 1995; Milliman, Von Glinow, & Nathan, 1991; Wright & Snell, 1998) and "intellectual agility" (Roos, Bainbridge, & Jacobsen, 2001; Roos et al., 1997). Some scholars have included social skills and competency in definitions of capability (Cavell, Meehan, & Fiala, 2003; Sveiby, 1997a).

The concept of "social competence" represents a set of specific abilities that has use in responding to social demands (Cavell et al., 2003; Sveiby, 1997a). This is expanded upon by Al-Janabi, Keeley, Mitchell, and Coast (2013) through classifying capabilities into two categories: basic capabilities (an

ability to develop) and complex capabilities. Here, complex denotes the ability to socially integrate (Al-Janabi et al., 2013). Though social skills and competencies are identified as capabilities, Payne (2000) recognised these as skills.

The term "skill" has been used numerous times in definitions of HC (Baron, 2011; Becker, 1962, 1964; Bontis, 1999; Edvinsson & Malone, 1997; Harris, 2000; Lee & Huang, 2012; OECD, 2001; Schultz, 1961; Smith, 1776; Sveiby, 1989). The term can be seen as having a considerably broader meaning. Definitions have included a range of descriptors, including basic skills, employability skills, technician skills, management skills, key skills, soft skills, generic skills, transferable skills, social skills, interactional skills such as communication, problem solving, team working and creativity (Payne, 2000), job complexity, decision making (Korczynski, 2005), and competencies (Sands et al., 2012; Taylor, Anderson, & McConnell, 2006; Tovistiga & Tulugurova, 2009). This diversity of meanings document that the term has come to mean nearly everything involved in doing work (Payne, 2000).

Beyond the term skills, researchers have frequently used the term "education" in HC definitions (Bontis, 1998, 1999; Guthrie & Petty, 2000; Sveiby, 1989, 1997a). Education is thought to be a central and significant term in HC research (Becker, 1962, 1964; Schultz, 1961), and therefore is frequently used in definitions of HC (Bontis, 1998, 1999; Guthrie & Petty, 2000; Sveiby, 1989, 1997a). It has been defined as "the process of receiving or giving systematic instructions, especially at a school or university" (Oxford Dictionary, 2011). Education has historically been considered the most reliable way to enhance HC (Becker, 1962, 1964; Schultz, 1961; Sweetland, 1996). In particular, Shultz (1961) and Becker (1962, 1964), emphasised that knowledge, skills and capabilities are forms of capital that can accumulate through education. Thus, an absence of education is likely to result in unskilled people who perform at lower levels, which clearly will affect the productivity of an organisation (Becker, 1964; Dae-Bong, 2009; Griliches & Regev, 1995; Lucas, 1988; Schultz, 1961). In addition to formal education, on-the-job training (Becker, 1962, 1964; Cuganesan et al., 2007; Dae-Bong, 2009; Griliches & Regev, 1995; Guthrie & Petty, 2000; Yaping & Jingfang, 2007) and simple work experience (Becker, 1962, 1964; Erlich, 2003) have also been emphasised as ways to enhance knowledge, skills and capabilities.

In addition to these attributes, "value" is another characteristic used in HC definitions (Cuganesan et al., 2007; Guthrie & Petty, 2000). Rokeach (1973, p. 5) defined values as "enduring beliefs that a specific mode of conduct is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence". Values are thus durable forms of beliefs that generally influence human behaviour. These definitions are broader in their application that is, values are things that influence behaviour in the widest sense, rather than in the more restricted sense of operating only in

the workplace environment. It can be assumed that people are unlikely to have completely separate sets of values that apply to specific contexts, e.g., one for the home, another for the workplace. (Presumably, one brings their values with them to the workplace.)

Values, however, can originate in organisations, and also in personal and societal contexts (Elizur, Borg, Hunt, & Beck, 1991; Paarlberg & Perry, 2007; Wiener, 1988). Organisational values exist when employees share their key values related to acceptable behaviours within organisations in their places of activity (Wiener, 1988). Personal values can be distinguished from organisational values. These are socially "learned beliefs about acceptable behaviour and actions resulting from the interaction of nature and nurture" (Volk, Thöni, & Ruigrok, 2011, p. 810). However, it has been found that both personal and organisational values can lead to a broad range of phenomena. These include positive attitudes, employee satisfaction, commitment, involvement (Meglino & Ravlin, 1998), motivation (Paarlberg & Perry, 2007), leadership, tolerance for diversity, service to the public, development of community, innovations, honesty, sincerity, transparency and virtues (Suar & Khuntia, 2010).

The societal context gives a somewhat more inclusive application to the term. Social values are normative beliefs (ways of thinking and acting that are common in a society) accompanying instrumental beliefs (the desired or socially approved means for accomplishing goals) that are antecedents of behaviour (Fishbein & Ajzen, 1975; Wiener, 1988). Education is considered vital in teaching social values (Friedman & Friedman, 1982; Lange & Topel, 2006; Lochner & Moretti, 2004; Lutz & Samir, 2011). In terms of particular behaviours, education reduces criminal behaviour (Lochner & Moretti, 2004), leads to more efficient political processes (Friedman & Friedman, 1982; Lange & Topel, 2006), lowers mortality and results in better health outcomes for society (Lutz & Samir, 2011).

Though there is consistency across some of the definitions presented above, the variations in the meanings of terms clearly show an absence of consensus among researchers on what "HC" actually means. This makes choosing a definition for this study a difficult undertaking. Owing to the above documented lack of consensus on a definition, it seems prudent to allow those who make use of the concept to define it, to make sense of their definitions, and then describe how it is utilised by these businesses. Thus, this research will explore the meaning of HC by the banks under study; then compare these responses with the OECD definition to determine the differences and similarities between what can be called the "theoretical definition" and the practical definitions provided by the respondents in this project. The reason for selecting the OECD definition among other theoretical definitions is for two reasons. First, the OECD definition has been a gradually extended one. It was

developed in 1998 as “the knowledge, skills, competences and other attributes embodied in individuals that are relevant to economic activity” (OECD, 1998, p. 9). In a later report in 2001, the OECD modified the edition as the “knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being” (OECD, 2001, p. 18), and it was then used in the 2011 report. Further, the OECD definition was frequently used by many academic researchers and in books (e. g. Baron & Armstrong, 2007; Lees, 2003).

Beyond attempting to forge a common definition of the subject amongst practitioners, it is also necessary to identify the reasons as to why human capital is important for organisations. As research has emphasised, in knowledge-based organisations human capital is likely to be the driving force for value creation (Abhayawansa & Abeysekera, 2008). Value creation is defined as “the difference between values of the firm’s output and the cost of the firm’s input” (Kay, 1991, p. 19). Porter (1985, p. 38) has defined value creation as “the difference between what customers are willing to pay and what a firm provides them”. Kay (1991) has argued that value creation is crucial for corporate success, whilst other researchers have attempted to elaborate how HC contributes to the creation of organisational value (Amit & Zott, 2001; Lepak, Smith, & Taylor, 2007; Tseng & Goo, 2005). As Amit and Zott (2001) describe, HC contributes in value creation through innovation. Tseng and Goo (2005), Lepak et al. (2007), and Pitelis (2009) have confirmed Amit and Zott’s view that value creation can come through innovation. As Tseng and Goo (2005) found, HC indirectly influences other determinants such as customers, networks and value chains. They further explain that unless organisations effectively manage their human capital, other determinants of enhanced organisational value are diminished.

Competitive advantage is clearly explained in the Resource-Based View (Barney, 1991; Hitt, Bierman, Shimizu, & Kochhar, 2001; Pfeffer, 2005; Tseng & Goo, 2005; Wernerfelt, 1984). According to this view, that which is valuable, rare and inimitable, and for which substitutes are thus difficult to find, provides the basis for competitive advantage (Barney, 1991; Hitt et al., 2001; Pfeffer, 2005; Tseng & Goo, 2005; Wernerfelt, 1984). These resources are what differentiates the organisation from their competitors and as such can provide enhanced returns. The resources that are valuable, rare, inimitable and non-substitutable can be either physical/tangible resources such as land and machines, or intangible resources such as customer relations, good will and HC. Tangible assets are important for organisations however, as they are apparent and effortlessly reproduced (Clulow et al., 2003). In contrast, and as several researchers argue, intangibles, specifically, human capital represent all four criteria: valuable, rare, inimitable and non- substitutable, and therefore, can be

considered a source of competitive advantage over other organisations (Barney & Wright, 1998; Huselid & Barnes, 2003; Pfeffer, 2005).

The potential value that organisations can derive through the above noted benefits is clearly quite great. Adroit, intelligent, and insightful people are likely to provide the organisation with more effective operations and higher profits, which can lead to sustainable success (Iacobi & Andrei, 2011; Rastogi, 2000; Yen, 2013), generating a sustainable competitive advantage. The above benefits can be derived only through strategic management of knowledge, capabilities and skills of people.

2.2.3 Human capital in Sri Lanka and New Zealand

HC has been considered the main solution for a number of challenges resulting from two major disasters in Sri Lanka over the last three decades. More than 35,000 human lives were lost in the Tsunami in 2004 and an estimated 80,000-100,000 human lives were lost in the war between the Liberation Tigers of Tamil Eelam (LTTE)² and the government of Sri Lanka. This tragic loss of life seriously reduced the volume of HC in Sri Lanka (UNDP, 2012b). Thus, replenishing domestic HC has been identified as a crucial factor in the development of the country with implications for the economy, society, physical resources, stability and sustainable growth (Karunatilake, 2008; UNDP, 2012b).

After more than 30 years of war, Sri Lanka is attempting to rebuild the nation. One strategy that Sri Lanka used for this was the transition to a knowledge economy, a new concept which originated in the 21st century, from an agricultural economy (Finance and Private Sector Development Unit, 2008). However, issuing a report for Sri Lanka in 2008, the World Bank outlined that Sri Lanka has made steady but little enhancement in transition towards a knowledge economy, hence, it is far behind some other comparable countries. Thus, it has become a challenge for Sri Lanka to formulate strategies to shift to a knowledge economy using the pillars of business environment, infrastructure, HC, and innovation systems. It is obvious that as a developing country which suffered from military operations for more than 30 years, Sri Lanka could not suddenly and massively change three pillars, the business environment³, the infrastructure and the innovation system within a short period of

² The Liberation Tigers of Tamil Eelam (LTTE) is a separatist organisation that fought with the Government of Sri Lanka to form a separate state called Tamil Eelam (Wang, 2011).

³ Business environment- An economic and institutional regime that provides incentives for the efficient creation, dissemination and use of existing knowledge (Finance and Private Sector Development Unit, 2008)

time. Thus, the only option left for such rapid rebuilding is enhancing the HC of the country (Abeysekera & Guthrie, 2004).

Understanding the importance of HC for Sri Lanka, the Government implemented strategies to improve the HC level of the country. Significant changes were made in the educational structure of universities, technical colleges and other tertiary and secondary educational institutions by making “knowledge” a special focus of activities (Central Bank of Sri Lanka (CBSL), 2012, p. 115). Through implementation of the above strategies, the Sri Lankan government intended to uplift the HC level. Following the implementation of these government programmes, Sri Lanka is now increasing its level of HC substantially. The Human Development Index (HDI) has shown a steady increase over the period 1980- 2012 (UNDP, 2013). In 2012, the HDI was recoded as 0.715 which is above the average of countries in South Asia (UNDP, 2013). It is clear that the uplifting of HC is indispensable to Sri Lanka, thus, this study choose it as a context of the study. Further, with the purpose of comparing HC in Sri Lanka, this study chose New Zealand.

New Zealand was chosen as a comparable country to Sri Lanka for three reasons. First, with reference to the HC level, New Zealand ranks in one of the highest positions. Since 1973 New Zealand has been a member of the Organisation for Economic Co-operation and Development (OECD) and has hence operated in one of the most regulated OECD economies (Rokeach, 1973). As with many OCED countries, New Zealand has undergone a dramatic change by shifting its economy from a regulated to an open and market based economy (Engelbrecht, 2000). With the arrival of the new concept of the “knowledge economy”, New Zealand also realised the importance of shifting from manufacturing based production to idea driven industries. The Ministry of Business, Innovation & Employment states that:

The knowledge economy is an important concept in moving New Zealand away from a low pay, low skills labour market. This will enable New Zealand to retain advantages over our trade competitors, make our industries less vulnerable to off shoring and increase the unit price of our outputs (Dewe & Toulson, 2004)

Thus, New Zealand formulated policies to create an economy which keeps knowledge in central place (Engelbrecht, 2000), and in 2012, New Zealand was ranked as the 6th best knowledge economy in the world (The World Bank, 2012). With the transition to the knowledge based economy, as a main pillar, HC has gained increasing attention, thus, the level of HC in New Zealand is remarkable. This is evident by being the 12th best country for human capital out of 122 countries (World Economic Forum, 2013).

The second reason for using New Zealand as a comparison is that New Zealand and Sri Lanka are categorised in the same region of Asia and the Pacific. Specifically, in the Asia and the Pacific region, Singapore is ranked in first place in the Human Capital Index and New Zealand in second place (World Economic Forum, 2013). There is a comparative study in the field of HC between Singapore and Sri Lanka (Abeysekera, 2008b), but no studies have been found in between New Zealand and Sri Lanka.

Third, there are significant differences between developing countries and developed countries socially, economically and politically, and developing countries are often compared with developed countries (for example Abeysekera, 2007; Bell & Pavitt, 1993; Collins, 1990). Sri Lanka is a developing country, and in contrast New Zealand is a developed country (World economic situation and prospects, 2012). The dynamics of HC are also different between these two countries (World Economic Forum, 2013) (Refer to Table 2-2 below).

Table 2-2: Human capital level

Criteria	Sri Lanka	New Zealand
HCI rank (out of 122 countries)	50	12
Education	51	5
Health and wellness	35	15
Workforce and employment	62	17
Enabling environment	70	18
Median age of population	31	37
GDP per capita (US\$)	5,384 \$	25,689 \$
GDP growth -annual %	6.4	3
Total population	20,758,800	4,368,100

Similarly, the HCI ranks for Sri Lanka and New Zealand in 2015 were 60 and 9 respectively (World Economic Forum, 2015). Given the above, New Zealand provides an ideal context to compare with a developing country like Sri Lanka. No previous studies have been found between Sri Lanka and New Zealand on human capital, therefore this will be the first comparative study in the field of HC between these two countries. After explaining the background of HC in general, as well as in the context of Sri Lanka and New Zealand, the next section aims to explain the process of measuring, managing and reporting on HCI.

2.3 Measuring, managing, and reporting human capital information

Although the MMR on HCI is identified as a series of activities, it could correspondingly be identified as an holistic approach (Baron & Armstrong, 2007). Though this study considers these three

practices as an unabridged process, the following section is designed to provide an understanding of them separately. In doing this, the researcher begins with a review of the literature relevant to measuring the HC concept and citing studies published since its formation in the early 1960s. Then, this section takes a closer look at studies on how HCI is managed. Finally, the literature on the reporting of this information to external stakeholders⁴ is analysed.

In reviewing the extant literature, this study expects to explain how these concepts evolved, the reasons organisations perceive these concepts as important, and how these concepts are put into practice in organisations. Finally, the section highlights the second gap (which this study seeks to fill) lack of contemporary, comprehensive exploratory studies on the three practices, MMR, as an unabridged process.

2.3.1 Measuring human capital information

Possibly, the first attempt to define and measure the value of HC was made by Sir William Petty who was a prominent economist. Sir William was mainly concerned with the national socioeconomic and political roles of human capital and believed that HC should be measured and included in the national wealth. Therefore, around 1691, he estimated the economic value of employees employed in England. This calculated monetary value of HC was used to estimate the power of the country (England). Sir William's work encouraged many economists to believe that HC can be measured and as a result of continued work in the same field, many research articles were published discussing an estimation of the value of HC at national level (Becker, 1962, 1964; Becker & Tomes, 1994; Jones, 1973; Le, Gibson, & Oxley, 2003; Meisenberg & Lynn, 2011; Mincer, 1958; Trinh Le et al., 2005). Initially, the focus of economists was on measuring the value of HC at national level, as employees. Some researchers, however, also specifically included organisational HC in their discussions. One example was Gerry S. Becker, a distinguish economist and scholar who made contributions to the field of HC by publishing controversial articles debasing the concept (Becker, 1962, 1964; Becker & Tomes, 1994). He was able to persuade many of his contemporaries that the choice of investing in HC should be based on the rate of return on investment in an organisation.

The concept of measuring HC in organisations first appeared in the paper "Accounting for Human Assets", written by Hermanson in 1964. Hermanson expressed the concern of many practitioners that an organisation's employees were often not properly represented in corporate records

⁴ External stakeholders include groups of people who are outside organisations such as customers, suppliers, investors, banks, government, societies etc. (Westphalen, 1999).

(Appelbaum & Hood, 1993). Hermanson further explained that ignoring the value of employees in the records prevents a true reflection of the state of the business (Appelbaum & Hood, 1993). A similar view was expressed by Brummet et al. in 1968 and their concern is clearly explained in the following quotation.

A favourite cliché for the president's letter in corporate annual reports is "Our employees are our most important-our most valuable-asset". Turning from the president's letter and looking to the remainder of the report, one might ask; Where is this human asset on these statements which serve as reports on the firm's resources and earnings? What is the value of this "most important" or "most valuable" asset? Is it increasing, decreasing, or remaining unchanged? What return, if any, is the firm earning on its human assets? Is the firm allocating its human assets in the most profitable way?
(p. 217)

Thus, many researchers have highlighted the importance of measuring HC in organisations (Bahar, 2012; Brummet, 1970; Brummet et al., 1968; Flamholtz et al., 2002; Massingham, Nguyet Que Nguyen, & Massingham, 2011; Savich & Ehrenreich, 1976). Researchers' arguments about organisational HC are quite similar to the views of economists, who argued that the human being is a form of capital and therefore should be included in calculations of national wealth.

In terms of the origin of the concept, as Dawson (1989) notes, three disciplines contribute to the development of the concept of measuring HC. They are organisational psychology, economics and accountancy. Dawson further argued that the first of these, organisational psychology, explained how organisations behave in terms of costs, profitability and productive efficiency. Accordingly, measuring HC deals with cost associated with people in an organisation and attempts to understand the impact on profitability and efficiencies. The central concept, the value of human resources, is derived from the economics discipline. An economic perspective argues that as with many resources, employees in an organisation also represent value and are capable of providing enhanced future economic benefits. Finally, the accounting discipline provides monetary estimates of the value these human resources contribute to the business.

Some researchers have attempted to provide definitions for the term measuring HC. Brummet et al. (1968) defined it as "the process of identifying, measuring, and communicating information about human resources" (p. 12). Becker (1993) defined measuring HC as calculation of the input that the employees make for the success of an organisation. However, after a considerable period of time, researchers again focussed on developing an updated definition, and as a result several new definitions were developed in order to enhance the clarity of the concept. Whitaker and Wilson (2007) defined measuring HC as "the analytical techniques used to measure and report on how well

HC management strategies are contributing to achieve expected results” (p. 59). In 2004, the Institute of Development Studies (IDS) defined measuring as “finding links, correlations and, ideally, causation, between different sets of data, using statistical techniques” (As cited in Armstrong, 2006, p. 38). The IDS definition was elaborated upon by Baron and Armstrong (2007) who stated that “measuring human capital is “based on human capital data comprising the numbers or quantities that describe human resources in an organisation, represent particular aspects of the behaviour of people, or indicate the scale of different people management activities” (p. 31). According to Baron and Armstrong, measuring HC is not a single event. Rather, it should consist not only of the translation of HC information into quantitative information, but also be an expression of the methods needed to understand and interpret the measured information. Baron (2011) commented that measuring HC is not just to assess the contribution, it is also about assessing how successfully the contribution translates into organisational value.

Though there are few definitions available for the term measuring HCI, researchers argued that it is complex and uncertain (Franklin, Mackie, & Rigby, 2005; Robinson, 2009) and poorly defined (Marr & Chatzkel, 2004). Instead of developing more clarity in the definition, it seems that researchers’ paid greater attention to understanding what organisations measure as HC (Baron, 2011; Lim, Chan, & Dallimore, 2010; Verma & Dewe, 2004, 2008). A large number of studies addressing the components of HC measures provide evidence for this, for example training expenses per employee, years of experience, number of innovations per employee, percentage of employees with degrees, level of competencies, efficiency levels, leadership skills, employee motivations, employee satisfaction, and many more; however, a majority of these studies were conducted on the basis of financial statements of organisations.

Research has developed an extensive number of approaches to measuring HCI. A brief review of the approaches is given below.

Approaches to measuring human capital

To generate greater clarity in explanation, some of the approaches available in the literature were classified into two categories, (1) conventional models and (2) non-conventional models (Refer to Figure 2-1 below).

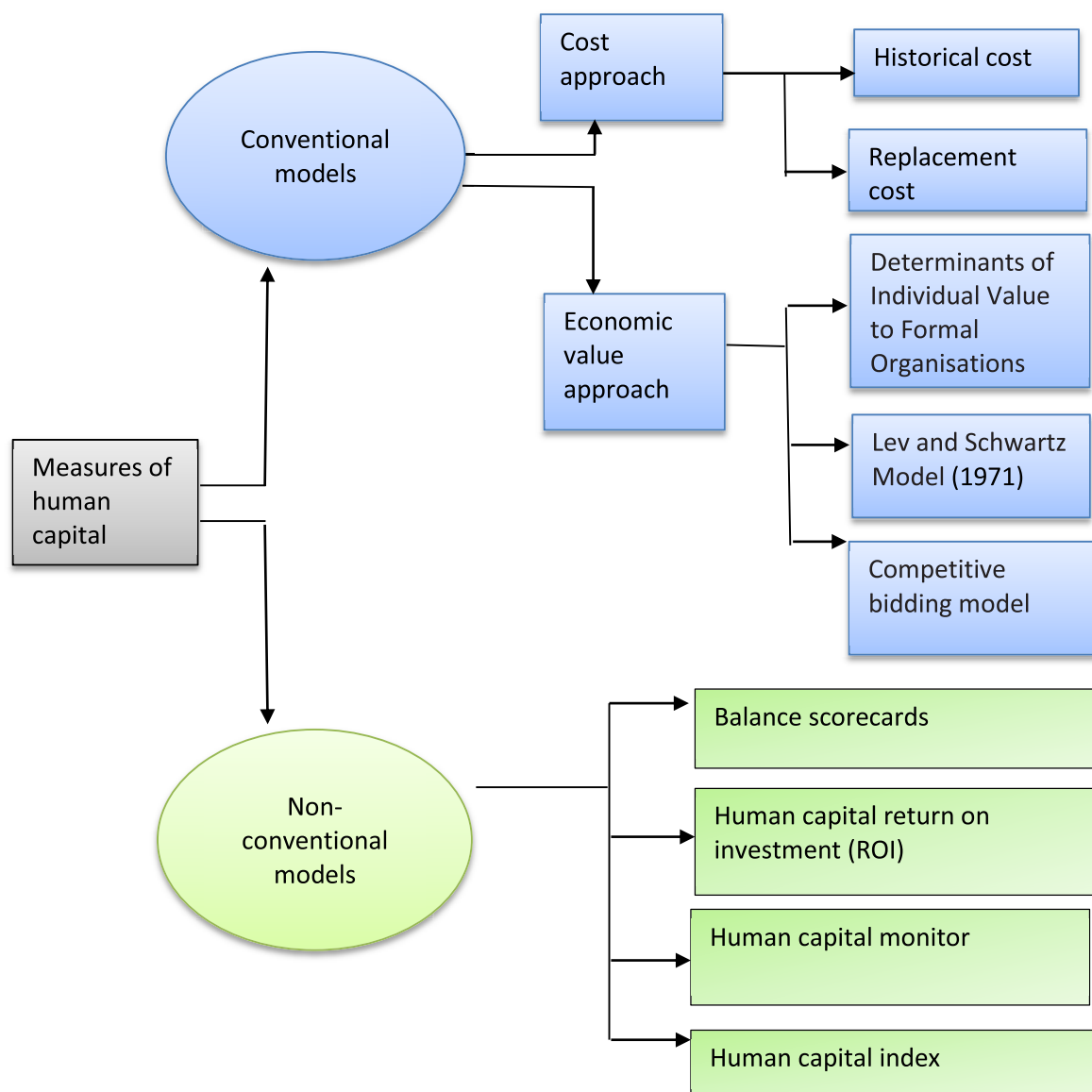


Figure 2-1: Approaches to measuring human capital

Conventional models

There are two main types of conventional models recorded in the literature, the cost approach and the economic/present value approach (American Accounting Association (AAA), 1973; Dawson, 1994a; Flamholtz, 1972, 2012; Milost, 2007; Samudhram, Shanmugam, & Teng Low, 2008; Sharma & Lama, 2014; Stephenson & Franklin, 1982; Taymoorluie, Movassagh, Tahmasebi, Seyyedi, & Aghajani, 2011; Trussell & Dobbins, 2007).

The first approach in the conventional model category involves methods based on the costs incurred by the company, with regard to an individual employee. The methods to be considered under this

approach are the historical cost/acquisition method and the opportunity cost method (American Accounting Association (AAA), 1973; Bullen & Eyler, 2010; Sharma & Lama, 2014; Stephenson & Franklin, 1982).

The first method of cost approach, historic or acquisition cost models, is an accountancy-based approach to valuation in which the costs of the HC are used to compute the employee's value (American Accounting Association (AAA), 1973; Bullen & Eyler, 2010; Stephenson & Franklin, 1982; Taymoorluie et al., 2011). This historic cost model has normally been used by accumulating the amount invested in HC by the firm including costs associated with recruiting, acquisition, selecting, placing, hiring, formal and informal training and familiarisation in, and developing the employees (Baker, 1974; Bullen & Eyler, 2010). This measurement provides an interesting implication for managerial decision making. It further provides a basis for evaluating a company's return on its investment in HC and it creates an awareness of the importance of organisational HC (American Accounting Association (AAA), 1973; Savich & Ehrenreich, 1976).

The replacement cost method is suggested as an alternative to the historical cost model, or in certain cases, as an addition to it. The method is a measure of the cost to replace a firm's current HC (American Accounting Association (AAA), 1973; Sharma & Lama, 2014; Stephenson & Franklin, 1982). This will include all costs incurred such as those to recruit, train and develop substitutes to work at the same level as existing employees (Baker, 1974). The replacement cost model involves two types of uses for management (American Accounting Association (AAA), 1973). First, it is useful in a variety of phases of the manpower planning and control process, as a principal measure of the cost of replacing people. Second, it is also useful in developing valid and reliable surrogate measures of the value of people to formal organisations (Flamholtz, 1972). According to Brummet (1968), the estimated replacement costs are added measures within the accounting system, or they may be integrated within a single system to provide the type of information most suitable to particular management needs. The replacement cost model, however, has limitations embedded within it, most specifically, the problem of subjectivity of valuations.

The second method under the conventional label is the economic/present value approach. This is based on the monetary value of the HC and their contribution to the organisation's gains (Stephenson & Franklin, 1982; Taymoorluie et al., 2011). This approach looks at HC as assets and tries to identify the stream of benefits flowing from them. In particular, by this approach, the "monetary value of HC" is measured and utilised in the accounting function. Examples of the economic value approach include the Flamholtz model of determinants of individual value to formal

organisations (Flamholtz, 1972, 2012), the Lev and Schwartz (1971) and the Hekimian and Jones's competitive bidding model (Flamholtz, 2012). These are briefly explained below.

In the field of measuring human resource value, Flamholtz was a leading researcher who undertook studies assessing HC from the 1970s to the 1980s (Flamholtz & Lacey, 1981; Flamholtz, 1974, 1976; Flamholtz, 1985; Flamholtz, 2012; Flamholtz et al., 2002; Flamholtz & Main, 1999; Flamholtz, Narasimhan, & Bullen, 2004; Flamholtz & Searfoss, 1988). In this model of the determinants of individual value to formal organisations, Flamholtz attempted to develop a protocol to estimate the individual's value to an organisation. The model focussed on the economic, social and psychological characteristics of a person such as skills, activation levels and productivity. The approach is based on the idea that the value of a person is a product of the range of qualities they bring to an organisation as well as features of the organisation itself. Accordingly, a person is not valuable to the company unless he is valuable to the demands of the job role. Flamholtz further argued that the estimation of the value of the HC will lead to a new way of thinking about managing people within the organisation.

Lev and Schwartz (1971) Model is identified as a "classic" approach which describes the economic concept of recognising humans as contributors to the economic wealth of a business. This model emphasises the measurement of present value of the future economic earnings of employees (Lev & Schwartz, 1971). This approach first calculates the total estimated future earnings (salaries) that an employee could earn during his/her career with the organisation, which is then discounted using a discount rate (Baker, 1974; Lev & Schwartz, 1971; Stephenson & Franklin, 1982). This method provides decision makers with additional but relevant information which is not provided by more usual accounting systems.

Hekimian and Jones (see Flamholtz, 2012) proposed a competitive bidding process that is closely related to the concept of opportunity cost. This model assumes that an internal market exists for labour within an organisation, such as when an employee is promoted to a position of greater authority, earning a higher salary. When there is a vacancy in an organisation, the managers exercise intuition in valuing HC. Managers bid against one another and select the highest bidder as the winner of the employee's services (American Accounting Association (AAA), 1973; Dawson, 1994b). As Hekimian and Jones state, this process is done only for reallocating the contribution of the scarce employee, and employees that can be hired easily from outside the organisation are not considered. Some researchers disagree with this model stating that,

...while I applaud the attempt to improve the generally poor job we do of utilising the human resources available to us, the approach suggested (by Hekimian and Jones) seems to me so artificial as to impair its effectiveness (Elovitz, 1967, p. 59).

The above conventional approaches were highly regarded in the early stages of theory development; thus, majority of studies used in this section were conducted in the period of 1970s (e.g. American Accounting Association (AAA), 1973; Flamholtz, 1972; Flamholtz, 1974; Lev & Schwartz, 1971). Owing to the many arguments presented against them (as detailed in paragraphs below), interest in these conventional measurement models declined. Possibly this may have influence researchers since then to pay less attention to conventional approaches; this resulted in the majority of recent articles containing only a brief overview on these approaches (e.g. Bullen & Eyler, 2010; Sharma & Lama, 2014). Four main fundamental weaknesses were as follows.

First, the subjective nature of the economic value approaches was of some concern. The measurement models used with the economic value approach mainly use “future estimated earnings” to calculate the value of human resources in an organisation, in which “estimated earnings” are highly subjective. Thus, researchers criticised this by arguing that valuing human resources using economic approaches are “assessments” rather than “measurements” (Andriessen, 2004b). Bontis, Dragonetti, Jacobsen, & Roos (1999) argued that though these models result in solid numerical figures as the value of human resources, these estimations can still be inaccurate.

Second, all these models are based upon quantitative indicators such as salaries, turnover rates and anticipated company size in the future, and others. They thereby ignore distinctive qualitative information such as employees’ knowledge, leadership qualities and skills (Bozbura, 2004). Hence, the quantitative approach yields values which in effect undervalue the phenomenon, and which is therefore a disadvantage of the conventional approach (Bontis et al., 1999).

Third, as International Financial Reporting Standards (IFRS) (2013) stated, for a resource to be treated as an organisational asset, the resource should be controlled by the entity. In this perspective, many researchers criticised the assumption that organisations do have the right to measure HC because organisations do not explicitly own it (Johnson, 2002).

Fourth, researchers have argued that conventional models created to measure the monetary value of HC with the purpose of adding it to the balance sheet consider them only as a physical asset (Flamholtz, 1985). In response, some researchers have rejected the conventional models and moved forward by developing models which attempt to measure specific information related to employees. These include such assessment as return on investment, expenses incurred for training and

development, and turnover ratios. Compared to the older conventional models, these new non-conventional measurement models have been increasingly accepted by practitioners. Currently, several non-conventional methods are used in organisations to gauge the value of HC. These include the balanced scorecard approach (Kaplan & Norton, 1996), HC return on investment (ROI) (Fitz-enz, 2009), the human capital monitor (Mayo, 2001) and the human capital index (Watson Wyatt Worldwide Inc., 2002). These methods are detailed in the following paragraphs.

Non-conventional models

At least four different models have been proposed to assess the contribution of HC to an organisation; the first of these is the balanced scorecard approach (BSA). This is perhaps the most commonly used approach by organisations to measure HC (Baron & Armstrong, 2007). The BSA was originally developed by Kaplan and Norton in 1993, and today many organisations use it as a powerful communication tool (Baron & Armstrong, 2007; Brown, 2012). The scorecard permits organisations to measure performance through four elements: financial, customer, internal business process, and learning and growth (Baron & Armstrong, 2007; Brown, 2012; Kaplan & Norton, 1996; Niven, 2011). Learning and growth were later retitled “people” (Baron & Armstrong, 2007). In terms of the people element, the scorecard approach focusses on how individual actions can make a difference in progress towards achieving the strategic objectives of organisations (Brown, 2012). In particular, under the people heading, the scorecard presents the strategic objectives of each element. For example, it identifies what the firm needs to measure, the targets that should be accomplished, and the initiatives that have to be taken to achieve the targets (Baron & Armstrong, 2007; Kaplan & Norton, 1996). Though the BSA is most commonly used method for assessing value by organisations, researchers have argued that an organisation’s scorecard focusses on meaningless metrics due to management’s attempts to over-engineer the matrices, which lead to complications and compromises (Baron & Armstrong, 2007, p. 68). The BSA has brought attention to not only people but to finance, customers and processes (Kaplan & Norton, 1996).

In relation to the BSA, Fitz-enz (2009) developed an alternative method focusing on HC, called the “human capital return on investment” (HCROI). This second model is a statement which includes the costs incurred for managing employees and the financial value addition to the organisation (Fitz-enz, 2009). The HCROI provides an answer to the question of how HC cost is measured and evaluated against organisations profits and goals (Fitz-enz, 2009; Phillips, 2010). ROI is derived by comparing total cost to a figure representing total human capital value addition. This is presented in the form of an equation (Fitz-enz, 2009).

$$\text{ROI} = \frac{\text{Human capital cost (cost of hiring + training cost etc.)}}{\text{Human capital value addition (total revenue less expenses other than employee expenses)}}$$

The third model is the human capital index (HCI) developed by the global consulting firm Watson Wyatt Worldwide Inc. (Watson Wyatt Worldwide Inc., 2002). It links the managing of HC in an organisation to its financial performance. The index provides insight into the strength of the contribution of organisational employees (Brown, 1999). The HCI is a guide which includes a list of HC elements arranged according to their relative importance (Baron & Armstrong, 2007; Brown, 1999; Watson Wyatt Worldwide Inc., 2002). The HCI is calculated by assigning weights to each of the elements in the index (Baron & Armstrong, 2007; Brown, 1999; Watson Wyatt Worldwide Inc., 2002). Weights are given according to the relevant importance of elements. Then, based on these factors, a total score is determined (Baron & Armstrong, 2007; Brown, 1999; Watson Wyatt Worldwide Inc., 2002). The highest HCI score represents higher financial performance. The resulting HCI is classified into two categories, simple and complex (Brown, 1999). The simple index includes a workforce profile including four metrics: number of years in the business, job level or grade, performance rating and position held (Brown, 1999). The complex index incorporates the level of competencies instead of a workforce profile as in the simple index (Brown, 1999). In addition, Watson and Wyatt also expanded on and commercialised the HCI which includes organisational practices related to employees, rewards and accountabilities, collegiality, flexibility, workplace environment, recruitment and retention activities, and communication integrity (2002).

Finally, the fourth model developed by Mayo (2001) and called the human capital monitor (HCM) attempted to identify the worth of the human asset. Compared to the other methods above, the HCM depends more on statistical analysis (Baron & Armstrong, 2007). As Mayo describes the HCM, it was designed to provide a formula to calculate the worth of the human asset. This appears below.

$$\text{Worth of the human asset} = (\text{Cost of employees} \times \text{individual asset multiplier}) / 1000$$

Here, the individual asset multiplier is calculated using individual capabilities, contributions, potential and values. Mayo further expanded the HCM by calculating the value added by people to stakeholders' interests. He proposed adding people's motivation and commitment to the above calculated worth of the human asset.

$$\text{Value added by people to stakeholders' interests} = \text{Worth of the human asset} + \text{people motivation and commitment}$$

The development of new measurement models has attracted increasing attention from organisations across the world, in such places as Scandinavia, Iran, the UK, Australia, New Zealand, India, China, Germany, Canada and Greece (Taymoorluie et al., 2011). The BSA method is now a common approach that many organisations use today; for example the Standard Chartered Bank takes a scorecard approach (Baron & Armstrong, 2007). Further, different types of measurement models are also now being used by many organisations. The Royal Bank of Scotland's human capital toolkit, the Nationwide Building Society's Intranet-based information system and Norwich Union Assurance's dashboard method are just a few examples of the application of different models to identify and measure indicators of the value of HC (Baron & Armstrong, 2007). Clearly, organisations desire and make use of sophisticated models to measure their HC.

Benefits of measuring human capital information

Researchers have commonly agreed that measuring the HC required for making quality financial decisions for both internal and external parties concerned with an organisation (Baron & Armstrong, 2007; Flamholtz et al., 2002; Massingham et al., 2011; Okwy & Christopher, 2010; Taymoorluie et al., 2011). In the experiment about investment decisions, Hendricks (1976) revealed that investment decisions were affected by the measured information in addition to traditional accounting information. Okwy and Christopher (2010) conducted a study to investigate investment decisions, a purpose similar to that of Hendricks (1976), and found that the enclosure of measured HCI in financial statements assists investors in making more lucid investment decisions. Other researchers have suggested that measuring HCI also serves as a managerial tool (Flamholtz et al., 2002; Taymoorluie et al., 2011). Importantly, such a perception would enable management to make quality employee-related decisions. Baron and Armstrong (2007) state that measuring HCI characteristics assists managers in understanding factors that directly affect managing employees. He further states that HCI helps managers to comprehend and identify issues relating to employee management.

A similar view was expressed by Kaplan and Norton (1996) in the book, "The Balance Scorecard: Translating Strategy into Action" where they explained that the intended use of measuring is in managing HC. This was extensively illustrated through the famous adage; if you can't measure it, you can't manage it. As Kaplan and Norton explained, measuring systems in an organisation are powerful techniques which have a strong influence on the internal as well as the external behaviour of people. They further emphasised that organisations usually rely on some form of measurement to manage financial performance. Though organisations espouse strategies emphasising customer relationships, competencies and employee capabilities, yet less attempt has been made to measure them. As

Kaplan and Norton emphasised, measuring and then managing HCI is essential to achieving long term success.

However, Sveiby (2001) wrote a discussion paper opposing the ideas presented by Kaplan and Norton (1996). He commented that the statement, organisations can only manage what they measure is a slogan and completely inaccurate. Sveiby argued that the purpose of managing is controlling. Therefore, if an organisation wants to control HC, such measurement would likely result in negative consequences because the measurement of intangible assets involves subjective judgements and estimations. As Sveiby comments, organisations should measure information not just for controlling, but also for learning about and understanding the contribution of HC.

Verma and Dewe (2008) investigated the perception and practices for measuring HCI in organisations in the UK. From the data provided by 288 questionnaires, it was found that the majority of respondents (94%) perceived HC as something that should be measured because of the responsibility organisations have to report about HC to stakeholders, just like any other organisational function. Nearly 79% of respondents believed that organisations should measure HC in order to achieve competitive advantage. Further, 75% of respondents agreed that the measured information may be useful to management for formulating strategic objectives, and 71% agreed that such information is required for strategic planning.

The above discussion shows that there are only a few justifications for measuring HCI, such as making decisions, managing HC, learning about and understanding the contribution of HC, reporting to stakeholders, achieving competitive advantage, and formulating strategic objectives and planning. A strong concern is that the majority of these reasons are not supported with empirical evidence. More importantly, less awareness about the concept of measuring HCI among businesses is evident (Robinson, 2009). In this context, more research is need to identify how businesses understand measuring HCI. This research will fill that gap in exploring how banks in Sir Lanka and New Zealand measure HCI.

As illustrated above, measuring HCI characteristics and contributions can result in an extensive amount of meaningful information which might be considered pivotal to managers in many ways. Thus, systematic managing of this measured HCI is vital. The following section reviews the literature on the managing of HCI in an organisation.

2.3.2 Managing human capital information

The use of organisational resources to accomplish both short-term and long-term goals is a major task of a manager. As Brummet et al. (1968) state, the ability to acquire, develop, allocate, maintain and utilise those resources is a determining factor of managerial effectiveness. Indeed, these functions require a myriad of information (Brummet et al., 1968). Among the extensive information received by management concerning tangible and intangible resources, HC information has been gaining in relative importance (Baron & Armstrong, 2007) because HC is considered the most important resource in an organisation (Brummet et al., 1968; Massingham et al., 2011; Mayo, 2012).

However, the general belief is that information relating to HC is relatively rare (Baron & Armstrong, 2007; Goodman, 1993; Singh, 2000) and while managers tend to make decisions based on available information, such decisions based on inaccurate information about the human resource component may ruin the entire organisation (Singh, 2000). As Goodman states,

Managers frequently plan, solve problems and make decisions based upon incomplete and sometimes inaccurate information. At worst, this may result in dire consequences for their organisation. (1993, p. 12)

Baron and Armstrong have blamed the human resource profession for a lack of emphasis on gathering HCI stating that:

Too many times we are led to believe that collecting data and developing measures on the contribution of people to the business is too hard, too costly or too time consuming (2007, p. 45).

They argue that the problem is not the lack of data as indeed organisations are rich in data from the recruitment to the resignation of employees, but the major problem associated with HCI is the absence of proper ways to manage it (Baron & Armstrong, 2007; Singh, 2000).

Managing HCI is a conceptual term that has often been defined and interpreted within the broad concept of managing information (Wilson, 2003); thus, it is necessary to review current definitions focussed on managing information in order to gain a broader understanding of what HCI is taken to mean.

Researchers have provided various definitions for the term managing information. Wilson defined it as *“the application of management principles to the acquisition, organisation, control, dissemination and use of information relevant to the effective operation of organisations of all kinds”* (2003, p. 263). “Information” here refers to all information regardless of whether it originates internally or externally; for example; information includes production, personnel, market and competitor

information. Detlor defines managing information as “the control over how information is created, acquired, organized, stored, distributed, and used as a means of promoting efficient and effective information access, processing, and use by people and organizations” (2010, p. 103). Baron and Armstrong (2007) defined it as the gathering and collating of HC data. Fox and Meyer (1995) defined it as “planning, organization, development and control of the information and data in an organization and of the people, hardware, software and systems that produce the data and information” (as cited in Caron 1995, p. 2). Caron and Brown defined managing of information as a “philosophy of management that recognizes and calls for the creation, identification, capture and management of information resources as corporate assets to enable and support the development of policy and effective decision making” (2012, p. 1). Though many definitions are available in the literature, some commonalities exist which are that all definitions discuss the process of managing information including collecting, organising, controlling, distributing and using information of all kinds.

Irrespective of the diversity of definitions, some common benefits of managing HCI can be identified. First, it assists both people and organisations to access, process and use information efficiently and effectively (Detlor, 2010; Kirk, 1999). For example, through managing information systematically, and with the assistance of modern computer-based management information systems, a person or an organisation can provide requested information within a few seconds. This enhances the performance of task (efficiency) through reducing the response time for requests (Wilson, 2003). Organisations are then able to operate more competitively and tactically, as such a system helps people better accomplish their tasks and become better informed (Detlor, 2010).

Second, as Wilson (2003) details, valuable, quality, and secured information is needed for achieving the best organisational performance. In this case, managing HCI accomplishes these information requirements; for example, attentive management of information reduces lost or missing information. Through this, managers will be able to use all relevant and accurate information for quality decision making (Goodman, 1993) which is increasingly vital to the strategic success of all types of organisations (Cascio & Boudreau, 2008).

Third, research has highlighted that the use of properly managed information is helpful in solving individual and organisational information problems (Choo et al., 2006). In particular, it has been widely accepted by the public that organisations collect too much personal information when they recruit employees, and at the same time may use such information improperly (Cook, 1987; Vidmar & Flaherty, 1986). Cordell (1987) claims that the way organisations deal with information creates circumstances in which personal information can become public information; thus, staff members

may not be willing to make available their personnel information to other staff members. In this case, Wilson (2003) states that through properly managing information, organisations can tighten the security of information and reduce (or eliminate) violations of trust.

Finally, Cohen (1989) emphasised the importance of managing HCI in decision making. Cohen (1989) states that the basis of a robust decision making process is a solid foundation of HCI, and warns that the quality of the decisions may be questioned without adequate information. This view was shared by Goodman (1993) in his discussion of the management decision making process and information needs. He elaborates on how managerial decision making can be affected by faulty information. Goodman argued that managers in organisations often take decisions based on inaccurate and incomplete information which results in regrettable consequences for organisations such as weakened competitive positions among others. Hence, information should be carefully managed in order to avoid adverse consequences.

In order to achieve the benefits identified above, organisations have many methods in place to manage HCI (Wickramasinghe & Fonseka, 2012; Winkler, König, & Kleinmann, 2013). The use of computerised systems to manage HCI is now widely visible in organisations worldwide (Taylor & Davis, 1989; Winkler et al., 2013). As some research has pointed out, the contemporary use of computerised systems to manage HCI is due to the requirement of cost reduction (Taylor & Davis, 1989). As Milkovich and Glueck (1985) specified, one way of controlling cost is to computerise personnel functions and reduce the manual tasks associated with personnel (Wilson, 2003). The computerised method has been identified as more important than the manual system due to some factors such as little documentation, reduction in manual tasks that consume time, reduced reliance on paperwork etc. (Wilson, 2003; Winkler et al., 2013). This system not only brings all HCI to one place, but can also produce timely and accurate information about the work force when requested. This allows more efficient planning for the work force, prediction of future workforce requirements, aids in recruitment, selection, and in providing a picture of organisational HC to outside parties (Boudreau & Ramstad, 1997; Juris, 1986; Lederer, 1984).

Hence, it is clear that current HCI management is tightly bound to information technology (Fisher & Howell, 2004; Winkler et al., 2013). Though computerised systems are popular among organisations for managing HCI (Fisher & Howell, 2004), some research has revealed that nearly half of the computerised HCI systems implemented in organisations do not succeed (Aiman-Smith & Green, 2002). This appears to be a result of problems in the implementation of computerised systems. The negative reaction of stakeholders and incorrect assumptions about how this system may lead to

changes of employee roles seem the cause of these failures (Fisher & Howell, 2004; Klein & Sorra, 1996).

In opposition to computerised methods, some organisation still rely on manual record management methods (Boisdeffre, 2006; Wilson, 2003). Record management refers to the process starting with designing the content and the form of records to destruction of documents (Wilson, 2003). This process then includes the design and creation of records, information identification, approval, confirmation, authentication, auditing, access to records and use, keeping backups and disaster recovery procedure, preservation schedules and destruction of information (Goodman, 1993; Wilson, 2003). In many cases, manual record management methods have meant organisations face a variety of difficulties such as the lack of administration of the information that is produced and received, difficulties in tracking requested information, badly achieved results, confused and wrongly classified documents, incomplete information maintenance, and situations where no relevant data exist (Boisdeffre, 2006).

Perhaps owing to the limitations of both computerised and manual methods, many organisations currently use both to manage HCI (Detlor, 2010; Wickramasinghe & Fonseka, 2012). For these businesses, the decision as to what method to use depends on the nature of the problem and the information required to resolve it. As Detlor (2010) states, many organisations use computerised systems to store the transactional information that is required for day to day functions, and manual methods are used for unstructured information.

Managing HCI could seem to be an individual research agenda. Other than by a few researchers (Baron & Armstrong, 2007; Wickramasinghe & Fonseka, 2012), no significant attempt has been made to undertake research on managing HCI together with measuring and reporting. This study extends the understanding about managing HC, combining it with measuring and reporting concepts.

Once an organisation measures and manages information about HC, it must also be able to communicate this information in order to enhance the relevance and value to stakeholders and contribute to the business (Baron & Armstrong, 2007). The next section reviews the literature on communication of measured and managed HCI to organisational external stakeholders.

2.3.3 Reporting human capital information

Many organisations across the world today are inclined to, and indeed are often legally obligated to report information about HC. As Taymoorluie et al. (2011) noted two thirds of the 250 largest

companies in the world issue sustainability reports, including HCI, together with their financial statements in 2007. A leading audit firm; KPMG (2011), revealed that 95% of the 250 largest companies issued sustainability reports in 2011. Thus it is clear that today reports about HC have become prevalent in business practice.

Though there is a wide-spread interest in reporting HCI, there have been few significant attempts to define what reporting on HCI means. Abeysekera (2008a) notes that until 2007, there were no clear definitions relating to the theme “reporting”. Foong, Yorston, and Gratton (2003) state that there is an absence of a universally agreed defining for the term HC reporting. As an example of this lack of clarity, in 2003, instead of providing a definition, the Accounting for People Task Force (2003) recommended that external reporting should reflect the understanding of the Board of Directors about the relationship between HC management policies and practices and business strategy and performance. Foong, Yorston, & Gratton have provided a common sense orientation to organisational reporting by noting that: "The fundamental objective of corporate reports is to communicate economic measurements of, and information about, the resources and performance of the reporting entity useful to those having reasonable rights to such information" (2003, p. 15). Based on a definition given in the Australian Accounting Handbook, Abesekera (2007), defined the reporting as providing necessary information required to users who are unable to command the preparation of reports and satisfy their information needs. Baron and Armstrong have defined it as “providing information to external stakeholders on how well the human capital of an organisation is managed” (2007, p. 34).

Despite the meaning of the term, organisations appear to report a wide variety of HCI to stakeholders. This reporting is due to regulatory requirements (Abeysekera, 2008b), however, interestingly, some relevant HCI is reported voluntarily (e.g. Beattie & Smith, 2010). The next section describes two categories of reporting; mandatory reporting and voluntary reporting.

Mandatory reporting versus voluntary reporting

With the intention of ensuring unique reporting practices in organisations within the European Union, the 4th Council Directive of the European Community in 1978 set the guidelines for the contents that should be included in financial statements. In terms of HC, the council required organisations to disclose only a limited range of information on employees. This included such information as salaries, wages, and for some countries, number of employees (European Economic Community, 1978). Thereafter, in order to achieve a unique level of reporting, the European Commission took further action to develop a set of requirements for accounting, to be called the

International Accounting Standards (IAS). The responsibility for preparation and administration of IAS was given to the International Accounting Standards Committee (IASC).

The aim of preparing the IAS was to provide guidelines for good reporting practice (Donnelly, 2007), applying especially to publicly listed companies. When dealing with an intangible resource like HC, a number of standards were issued by IASC which include IAS 19, applying to Employee Benefits, IAS 26 to Retirement Benefits Plans, and IAS 38 to Intangible Assets. Of these three standards, IAS 38 provides a definition of intangible assets and prescribes appropriate accounting and reporting treatments (International accounting standards Board (IASB), 2012). IAS 38 presents the definition of intangible assets as “an identifiable non-monetary asset without physical substance” (International accounting standards Board (IASB), 2012, p. 1). Accordingly, to be defined as an intangible asset, an asset needs to possess attributes such as an ability to be identifiable and exchangeable, to be controlled, to gain future economic benefits and to have a measurable cost. HC somewhat fits the last criteria, measurability of the cost of the asset, as the cost of employment can be readily identified and quantified. However, people cannot be exchanged at will, cannot be (completely) controlled, and cannot provide guarantees about the future economic benefits that can derive from employees. Thus, from a regulations point of view, human capital does not meet the above criteria, and therefore, cannot be considered an intangible asset. Hence, IAS 38 prescribed in the accounting requirements the writing off of all the expenses incurred for employees against profits. Adhering to this regulatory requirement, organisations today therefore write off all expenses incurred for employees against the profits.

In addition to accounting standards, many other legislative bodies such as law (e. g. Companies Act and Banking Act), Census and Statistics and exchange listings impose requirements on organisations. These often require the reporting of numerous categories of information about HC. For example, in Singapore, the reporting of directors’ educational qualifications is mandatory (Abeysekera, 2008b). However, many studies in the field seem to have ignored the mandatory reporting aspect while conducting their investigations (April, Bosma, & Deglon, 2003; Bozzolan, Favotto, & Ricceri, 2003; Brennan, 2001; Guthrie & Petty, 2000). Abeysekera (2008b) states that it is worth ignoring mandatory reporting due to its compulsory nature. The level of organisations’ motivation to report can be examined only through voluntary reporting. As Guthrie, Petty, Ferrier, and Wells (1999) stated, many studies have been conducted with the purpose of understanding the voluntary nature of reporting, and not to understand compulsory reporting.

Thus, researchers have been inclined to believe that reporting HCI is largely unregulated and the current extent and the level of reporting of HCI in financial statements or elsewhere is an

organisation's decision (Abeysekera, 2008c). Consequently, a plethora of studies have been conducted on voluntary reporting practices of organisations (Abeysekera & Guthrie, 2004; Beattie & Smith, 2010; Berkowitz, 2001; Foong et al., 2003; Hoff Macan & Highhouse, 1994; Westphalen, 1999; Wickramasinghe & Fonseka, 2012 and several others). Many of these studies were not only focused on the level of reporting HCI in organisations but also argued as to whether HC should be reported in corporate financial statements (Canibano, Garcia-Ayuso, & Sanchez, 2000).

As noted above, reporting of some HCI is mandatory. However, there is an increasing trend among organisations to report extra information in addition to mandatory information (Marr, Gray, & Neely, 2003). As Ax and Marton (2008) stated, organisations tend to report much information voluntarily. Voluntary reporting can include staff health, job satisfaction, education, training, recruitment, careers and compensation, revenues and employees. Mouritsen et al., (2004) outlined a list of HC variables, including training and development, absence, employee satisfaction and staff turnover. The following section reviews the literature in order to understand why organisations tend to report HCI voluntarily.

Incentives and disincentives of reporting human capital information

Research has suggested that external stakeholders (e.g. investors, analysts, various members of the public, government, taxpayers, and grant givers) respond positively to organisations that report on HCI (García-Ayuso, 2003). The Accounting For People Task Force (DTI, 2003) argued that some stakeholders are keen on financial return, but a more important consideration is the non-financial performance, value for money and assurance of the best return for the investment that they have made. Through reporting information about HC, such as how organisation treat their employees, stakeholders may have a better means of assessing the value of organisations (Guthrie, Petty, & Ricceri, 2007). Providing more information reduces the uncertainty that stakeholders face in decision making. Thus, it is a viable option to provide information about intangibles like HC, since it gives a better view of the position of an organisation, which may perhaps lead to a higher share price (Canibano et al., 2000; Marr et al., 2003). Especially for knowledge based organisations, investor decisions may be substantially influenced by HC reporting (Canibano et al., 2000).

Jassim (2007) and Memon et al. (2009) claim that the foremost source of competitive advantage is a firm's HC. Physical and other organisational resources can easily be copied by other organisations, but HC cannot be translated or copied directly; thus, an organisation always strives to recruit skilled, knowledgeable people and develop them. This investment in their employees is focussed on gaining their maximum contribution, in an effort to succeed against their competitors. Through reporting employee related information such as the benefits they can gain and how the company treats

employees, an organisation could attract potential employees over competitors. Stakeholders are likely to evaluate and compare alternatives and chose a firm that appears to offer a higher degree of protection for their investment (Yazdani (2008) as cited in Memon et al., 2009, p. 4182). Assurance that a firm values its employees and invests in the training and support of its work force may be instrumental in making an investment decision. Further, reporting on employee status is also likely to improve employees' levels of morale, motivation (Guthrie et al., 2007) and trustworthiness (Van der Meer-Kooistra & Zijlstra, 2001).

Furthermore, reporting information on HC is a valuable tool for communicating with stakeholders and presenting a better image of the organisation's vision and growth potential (Van der Meer-Kooistra & Zijlstra, 2001). Reporting on HCI could thus be useful as a marketing tool that not only highlights the power and resources of an organisation to interested parties (Van der Meer-Kooistra & Zijlstra, 2001), but also can secure and enhance the image of an organisation (Guthrie et al., 2007). This enhances the ability of the firm to attract potential customers (Bismuth & Tojo, 2008).

In addition to the above noted incentives, Abeysekera (2008c) revealed a different reason for reporting on HC, that is, to reduce the tension which comes from stakeholders of organisations. Abeysekera (2008c) argues that stakeholders put great pressure on organisations in a variety of ways and one way of reducing this tension is to report information about HC. For example, governments may put pressure on organisations to hire underutilised yet highly educated workers in order to reduce the drain of the country's foreign exchange lost to buying non-domestic technologies expertise (Abeysekera, 2008a). Such government pressure has led to organisations using the reporting of information to communicate that they are keen on uplifting domestic employees through providing training and development, rather than hiring foreign expertise.

The above discussion explains that the benefits of reporting accrue not only to external parties but also to the organisation itself. As a result of the above-noted incentives, numerous guidelines have been developed for reporting and to encourage more voluntary disclosure (Bismuth & Tojo, 2008; Guthrie et al., 2007). More specifically, this practice is widely used in organisations in developed nations like many of those in the European community, Australia and Japan (Bismuth & Tojo, 2008; Guthrie et al., 2007).

In contrast, some research has highlighted the drawbacks of the reporting on HC (Foong et al., 2003; Marr et al., 2003; Van der Meer-Kooistra & Zijlstra, 2001). Organisations often do not want to report a greater volume or range of operational information because they see this resulting in disadvantages that are greater than the advantages (Van der Meer-Kooistra & Zijlstra, 2001).

Holland (2003) stated that, since the nature of HC is intangible, it is often difficult to define, identify, categorise, measure and report. Foong et al. (2003) explored possible obstacles to reporting on HC, arguing that HC characteristics could involve sensitive information and hence should not be shared externally. They further stated that “human capital information may give important insight to competitors or potentially could be negatively interpreted by external stakeholders such as financial analysts, unions, employees” (p. 31). Thus, organisations may believe that reporting HCI is too commercially sensitive, and therefore would not be appropriate for external reporting. Other scholars such as Canibano et al. (2000), Holland (2003), Marr et al. (2003), Van der Meer-Kooistra & Zijlstra (2001) hold similar views.

In addition to the commercially sensitive issue, reporting beyond minimal requirements demands that organisations incur considerable costs in both time and financial expenditure to prepare their reports. Providing additional information indeed incurs additional cost; thus the additional financial burden accompanying the HCI question discourages organisations from reporting on HC (Marr et al., 2003; Van der Meer-Kooistra & Zijlstra, 2001).

Further, information in financial statements is often open to manipulation, with those writing the reports striving to present the contents in a way that will leave a favourable impression. It is rational that organisations want to report only information that gives a positive picture of the firm (Van der Meer-Kooistra & Zijlstra, 2001). Since organisations are reluctant to publish information that paints a negative picture, and since it is possible to “creatively present” potentially negative information, it is not rational to expect that investors will have strictly accurate information with which to make quality decisions. The decision an investor makes could very well be biased, based on an incomplete or misleading presentation of a company's profile (Van der Meer-Kooistra & Zijlstra, 2001).

Moreover, Johnson (2002) claimed that it is not right to report information about HC in financial statements because HC is not legally owned by organisations. Since reporting HCI is likely to include both incentives and disincentives, organisations have to compare the overall cost of reporting with the possible benefits, and then decide on what they should report and to what extent (Marr et al., 2003).

In summary, the above discussion of the literature provides an understanding of three individual yet connected concepts; measuring, managing and reporting on HCI. In particular, it explained how these concepts evolved, the reasons organisations perceive these concepts as important, and how these concepts are put into practice in organisations. Researchers have invested a good deal of effort in developing and understanding these concepts. However, some have criticised the

development and utilisation of these ideas, pointing out that there are substantial variations in prior findings and therefore calling for more work to be done to develop the field of research (Castro, 2014; Dumay & Garanina, 2013; Guthrie et al., 2012). The following section will review published studies and then highlight one area in particular that has not attracted significant attention from HC researchers.

2.3.4 Prior studies on measuring, managing and reporting human capital

Prior studies on the three practices of HC can be categorised into four groups, intellectual capital, incorporating HC within intellectual capital (e.g. Beattie & Thomson, 2010; Boudreau & Ramstad, 2007; Haji & Mubaraq, 2012), individual concepts examined separately (e.g. Beattie & Smith, 2010; Brown, 1999; Cohen, 1989), combinations of two concepts (e.g. DTI, 2003; Foong et al., 2003; Weatherly, 2003), and studies focussed on all three concepts (see Baron & Armstrong, 2007; Wickramasinghe & Fonseka, 2012).

The present study is tightly focussed on the three concepts together and the intention of this section is to review those studies which also have focused on all three concepts and highlight the research gap this study was designed to fill. These studies are Baron and Armstrong (2007) and Wickramasinghe and Fonseka (2012).

The three processes as a whole were addressed by Baron and Armstrong's (2007) book "Human capital management - Achieving added value through people". Baron and Armstrong's study explained what information that organisations MMR, and the current methods used to MMR on HCI; however they neither provided empirical evidence nor an insight on why organisations engage in MMR on HCI. The current study fills that gap by providing empirical evidence for not only what information banks in Sri Lanka and New Zealand MMR, but also why they do it.

Wickramasinghe and Fonseka's (2012) study focused on the examination of HC indicators reported by the organisations, classification of the methods used to report and manage (store) HCI, identification of the persons involved in the measurement and reporting, and finally, discovery of factors that inhibit effective measurement and reporting. They specifically focused on measuring and reporting; however they indirectly examined the managing of HCI through identifying the methods used to manage (store) HCI. Further, in order to achieve the above aims, Wickramasinghe and Fonseka used a survey methodology to collect data from 30 organisations belonging to the manufacturing and service sectors; however they suggested conducting studies using interviews together with secondary information to provide deeper and rich understanding.

Wickramasinghe and Fonseka's study neither explored the information that is MMR'd by an organisation nor significance of MMR on HCI; thus, the current study fills this gap by conducting in depth interviews and using available secondary sources to explore what HC attributes are MMR, and why they are important. Further, being the first comparative study between Sri Lanka and New Zealand, the current study provides depth of understanding of how MMR practices in Sri Lanka are different from those in a developed country, which is absent in Wickramasinghe and Fonseka's study.

Accordingly, the three practices of MMR were well addressed in the literature, but the majority of studies focused on individual concepts. Only two studies focused on all three concepts tied together; however both studies were different from the current study. Therefore there is a lack of contemporary, comprehensive exploratory research of MMR on HCI and the use of qualitative methods in examining them is particularly rare. More specifically, no empirical evidence is provided in the literature on what HC attributes are MMR, why they are important, and how MMR practices different between Sri Lanka and New Zealand. This study fills this gap substantially.

Further, as stated in Section 1.3 above, the banking sector was selected to conduct this study; thus the following section reviews the existing literature to highlight the third research gap which is the absence of studies on the banking sector in Sri Lanka and New Zealand, and to understand the nature of the banking sector in both countries.

2.4 Banking sector

2.4.1 Evolution of the banking sector

Evidence of banking transactions has been discovered from as early as 300 BC as examined by a receipt of deposits from local citizens to Babylonian priests. The lending and borrowing of money were developed into a proper system among the ancient Greeks and Romans. However, these transitions did not last long and such practices as these collapsed with the end of the Roman Empire in 476 AD. Banking services are also known to have been developed in countries such as India, China and Europe during the medieval period, from about 1000 to 1500. More specifically, money lending as a "banking service" had developed from the period 1101 to 1200 in continental Europe. By the year 1400, taking deposits and providing financial assistance for settling debts had also begun and by that time, larger financial transactions via the physical exchange of currencies had largely been supplanted by the transfer of values in book entries and the current banking services have their roots in this concept (New Zealand Banker's Association, 2006). Here is it important to note that

banking services did not emerge abruptly, but rather have been in existence for a minimum of at least five hundred years.

Some of the services noted above indeed highlight the exclusiveness of the banking sector over other sectors. The services rendered by the banks could not be offered by any other sector, nor even by other financial institutions (Bhattacharya & Thakor, 1993). For example, banks were able to secure public savings and make loans to borrowers and these services could not be accomplished by other financial intermediaries such as insurance providers and investment houses (Matthews & Thompson, 2008). Banks also act as intermediaries between lenders and borrowers and assist customers via offering unique liquidity and payment services in a safe and efficient manner (Bollard et al., 2011). They are also considered specialists in evaluating the credit worthiness of borrowers, and providing continuous monitoring services in order to make sure that borrowers meet their repayment responsibilities (Bollard et al., 2011). Because of these services, banks gain great advantage over other types of financial institutions (Heffernan, 2004; Matthews & Thompson, 2008).

Currently, the advancement of the computer technology has been integrated into the world of banking (Singh & Kaur, 2013). The historical use of the over-the-counter banking system has shifted to the personal computer, enabling remote internet and phone banking (Singh & Kaur, 2013). The application of new and rapidly changing technology has produced a more efficient banking system, reducing the cost associated with providing a broad range of services. In terms of customers' points of view, these facilities provide more comfortable, convenient, and flexible banking services. Without having to physically attend, customers are now able to perform their transactions anywhere and anytime (Singh & Kaur, 2013). However, the use of new technology and accruing the benefits derived from that technology are common for banks operating in most places around the world. As Dyer (1993) states, "New technologies and information systems are being created to harness knowledge and tie disparate organizational entities together". Differentiation amongst financial institutions is more difficult to achieve with the widespread use of computer-based technologies, which can be utilised by modern banks and leads to the differentiation of one firm from another by turning to human competencies and capabilities (Dyer, 1993).

Banks can be considered knowledge intensive organisations (Mention & Bontis, 2013). Activities such as the creation of new products and services, discovering market opportunities, and having close interaction with customers could not be done without knowledgeable, well trained employees. Thus, many banks prefer to employ well educated, qualified personnel, and invest effort into continually training the employees in their workforce (Alvesson, 2000). For the success of the

banking operation, HC is essential (Mention & Bontis, 2012). The banking sector is therefore an ideal sector for understanding the nature of HC for the organisation.

The studies reviewed above have for the most part been focussed on the banking sector as a whole. The present research project is focussed more tightly on a comparison of the HC management practices in the specific contexts of Sri Lanka and New Zealand. Thus, following sections describe the nature of the banking sector in the two countries.

2.4.2 The banking sector in New Zealand

It is thought that the structure of the New Zealand banking industry is based on the banking system that operated in continental Europe (New Zealand Banker's Association, 2006) when the industry was formed here. The first trading bank in New Zealand, the Union Bank of Australia, opened in 1840 and New Zealand's first trustee savings bank was established in 1846. Two more trustee savings banks opened at about the same time, with one in Auckland in 1847 and the other in New Plymouth in 1850. By 1870 there were nine trustee banks in New Zealand. Among them, five banks Auckland (1847), New Plymouth (1850), Dunedin (1864), Invercargill (1864), and Hokitika (1866) have succeeded (McLintock, 1966). In the same period, the government also appeared to be involved in the banking business, as in 1865 the government extended its ownership over banks establishing state owned banks such as Post Office Savings Bank.

The growth of the banking industry appeared in the 1860s due to gold rushes (New Zealand Banker's Association, 2006) and trading banks were also established during this period; for example the Bank of New Zealand and the Bank of Australasia were two such banks established during this period. The Bank of Australasia merged with the Union bank, which was the first bank in New Zealand, and in 1951 formed the Australia and New Zealand Bank. This bank is currently operating as the Australia and New Zealand Banking Group (New Zealand) Limited. Banks have thus been catering to New Zealand's financial requirements for more than 170 years. Another two banks that were established were the Bank of New South Wales and the Bank of Otago; the former being the forerunner of the Westpac Banking Corporation, and the latter being taken over by the National Bank of New Zealand in 1874. Likewise, during the period from 1840 to 1987, almost twelve trading banks operated in New Zealand. More importantly, these banks were predominantly privately owned and were largely overseas banks operating abroad. These trading banks established the New Zealand Bankers' Association in 1891 to deal with matters related to trading banks more effectively (New Zealand Banker's Association, 2006).

Though the ownership of the banks was mostly private, regulations shaped the banking industry from the beginning. All savings banks stated above were governed by legislation and approval through an Act of Parliament was needed to form a trading bank. For example, legislation prohibited trading banks from issuing cheque accounts for individuals. Further, in 1934, during the Great Depression, the New Zealand government realised the need to control banking and so established the Reserve Bank. The Reserve Bank's main function was to determine and enforce government responsibility for enhancing the "overall soundness and efficiency of the financial system and to avoid significant damage to the financial system that could result from the failure of a bank" (New Zealand Government, 2013, p. 33). By doing so, the Reserve Bank intended to promote economic wellbeing in the country by controlling the functions of all types of financial institutions, beyond just banks. Legislation placed requirements on the establishment of a bank as well as placing restrictions on the services the banks could offer; for example; laws restricted the range of services banks could offer to deal with the financial needs of businesses. However, in 1957, the government reduced the range of restrictions imposed on financial institutions (both banking and non-banking) and as a result of this deregulation, banks were able to develop their own strategies to provide better service to its customers. Further, deregulation allowed foreign banks to enter the banking industry. This more open approach to foreign banks operating in New Zealand allowed banks from such countries as Australia, the Netherlands, Germany, the United Kingdom, the United States, Korea, Japan, and India to operate domestically.

As of 14th November 2014, there are 25 banks are registered with the Reserve Bank in New Zealand (Table 2-3 below). Of these, only five are local, with others operating as subsidiaries or branches of foreign banks (New Zealand Government, 2013). Australian banks are well represented, with seven banks in New Zealand. Of these, four banks are the largest by assets in New Zealand. Of the New Zealand banking sector assets, Australian banks account for approximately 90% of the total, while New Zealand banks account for just 2%. Banks have recently been ranked on their financial performance by the accounting firm PWC (2014). The first five major banks in New Zealand are ANZ, ASB, BNZ, Westpac, and Kiwi Bank (PWC, 2014); with the exception of the Kiwi Bank, all other banks are Australian.

Table 2-3: Banks in New Zealand

Bank	Ownership
ANZ Bank New Zealand Ltd	Foreign -Australia
ASB Bank Limited	Foreign -Australia
Australia and New Zealand Banking Group Limited	Foreign -Australia
Bank of Baroda (New Zealand) Limited	Foreign
Bank of China (New Zealand) Limited	Foreign
Bank of India (New Zealand) Limited	Foreign
Bank of New Zealand	Foreign -Australia
China Construction Bank (New Zealand) Limited	Foreign
Citibank N A	Foreign
Commonwealth Bank of Australia	Foreign -Australia
Deutsche Bank A G	Foreign
Heartland Bank Limited	New Zealand
Industrial and Commercial Bank of China (New Zealand) Limited	Foreign
JPMorgan Chase Bank NA	Foreign
Kiwibank Limited	New Zealand
Kookmin Bank	Foreign
Cooperatieve centrale raiffeisen-boerenleenbank b.a. trading as Rabobank Nederland	Foreign
Rabobank New Zealand Limited	Foreign
Southland Building Society	New Zealand
The Bank of Tokyo-Mitsubishi UFJ Limited	Foreign
The Co-operative Bank Limited	New Zealand
The Hongkong and Shanghai Banking Corporation Limited	Foreign
TSB Bank Limited	New Zealand
Westpac Banking Corporation	Foreign -Australia
Westpac New Zealand Limited	Foreign -Australia

2.4.3 The banking sector in Sri Lanka

From 1802 to 1948, Sri Lanka was under the control of the British government. During this period, the plantation industry (coffee, tea and rubber) was established and British planters originated the banking industry in the early 1880s to carry out their trading activities comfortably (Seelanatha & Wckremasinghe, 2009). Before 1948 there was no government interference in either international trade or exchange control (Karunasena, 1999); hence, foreign banks established subsidiaries in order to facilitate international trade and provide the working capital requirements for the plantation sector. From 1880 to 1934, monopoly power was held by the foreign banks, primarily serving the interests of the colonial residents and local people appear to have been largely ignored on many occasions (BOC, 2014).

Thus, the creation of local banking institutions to cater to local entrepreneurs became a necessity. As a result, the Governor appointed a commission to recommend the establishment of a national

bank in Sri Lanka in 1934, with the State Council of Ceylon giving permission for its creation. Accordingly, the Bank of Ceylon (BOC) was opened by the Governor of Ceylon, Sir Andrew Caldecott, in 1939. When Sri Lanka gained independence from Britain in 1948, one national bank and a small number of foreign bank subsidiaries were in operation in Sri Lanka.

After independence, the government directly intervened in the banking sector in order to achieve a self-sufficient economic system (Seelanatha & Wckremasinghe, 2009). The industry was used by the government for two main purposes, first, as the main driver for mobilising financial resources in the process of economic development, and second, to provide basic financial intermediary and payment functions for the society (Seelanatha & Wckremasinghe, 2009). As a regulatory body, the Central Bank of Sri Lanka was established in 1950 by the Government to control the financial sector; a second state sector bank, called the People's Bank, was established in 1961 (Fernando, 1991). These two state sector banks were completely responsible for lending facilities and international trade. The banks also acted as the bankers for the government (Karunasena, 1999) and no private sector banks operated during this period.

The strong government intervention in the financial sector resulted not only in an inefficient allocation of financial resources, but also undermined the economic development of the country (Seelanatha & Wckremasinghe, 2009). This highlighted the requirement of reducing intervention by the government in financial sector functions; consequently, the government implemented reform in the financial sector and carried it out in three phases, during the years 1977 to 1988, 1988 to 1995 and 1995 to the present. Particular changes were implemented to reduce the restrictions imposed on the banking sector including the introduction of a unified exchange system, reduction of entry barriers that allowed branch expansions, the introduction of new financial institutions and open market operations, and the incorporation of a secondary market for treasury bills and treasury bonds (Seelanatha & Wckremasinghe, 2009).

As a result of these reforms, there was not only an increase in the number of local banks but also an increase in the numbers of foreign subsidiaries and branches of banks. As of June, 2014, 34 commercial banks operate in Sri Lanka, listed in Table 2-4 below. Of these banks, 22 are Sri Lankan owned. Six banks dominate this list, namely Bank of Ceylon, People's Bank, Commercial Bank of Ceylon, Hatton National Bank, Sampath Bank, and Seylan Bank. These have been identified as "systematically important" banks (Central Bank of Sri Lanka (CBSL), 2013). Together, these banks hold about 65 percent of state sector assets. However, it is accepted that the Sri Lankan banking sector is still dominated by the two state banks; the Bank of Ceylon and the People's Bank. (Thalgodapitiya & Bhounmik, 2012).

Table 2-4: Banks in Sri Lanka

Name of the Bank	Ownership
Amana Bank	Foreign
Axis Bank Ltd	Foreign
Bank of Ceylon	Sri Lanka
Citibank, N.A.	Foreign
Commercial Bank of Ceylon PLC	Sri Lanka
Cargills Bank Ltd	Sri Lanka
Deutsche Bank AG	Foreign
DFCC Vardhana Bank PLC	Sri Lanka
DFCC Bank	Sri Lanka
Housing Development Finance	Sri Lanka
Habib Bank Ltd	Foreign
Hatton National Bank PLC	Sri Lanka
ICICI Bank Ltd	Foreign
Indian Bank	Foreign
Indian Overseas Bank	Foreign
Lankaputhra Development Bank Ltd	Sri Lanka
MBSL Savings Bank Ltd	Sri Lanka
MCB Bank Ltd	Sri Lanka
National Development Bank PLC	Sri Lanka
National Savings Bank	Sri Lanka
Nations Trust Bank PLC	Sri Lanka
Pan Asia Banking Corporation PLC	Sri Lanka
People's Bank	Sri Lanka
Public Bank Berhad	Foreign
Pradeshiya Sanwardhana Bank	Sri Lanka
Sanasa Development Bank PLC	Sri Lanka
Sri Lanka Savings Bank Ltd	Sri Lanka
State Mortgage & Investment Bank	Sri Lanka
Sampath Bank PLC	Sri Lanka
Seylan Bank PLC.	Sri Lanka
Standard Chartered Bank	Foreign
State Bank of India	Foreign
The Hongkong & Shanghai Banking	Foreign
Union Bank of Colombo PLC	Sri Lanka

2.4.4 Prior studies on measuring, managing, and reporting on human capital information in the banking sector in Sri Lanka and New Zealand

In the case of Sri Lanka, a few studies have been found on one or two of the following phenomena: measuring, managing, and reporting on HCI. Abeysekera and Guthrie (2004) examined the HC reporting practices, identifying the disclosure patterns of reporting of HC and differences in disclosure patterns between Sri Lanka and Australia. Data was collected from the annual reports of a sample of 30 large listed companies in Sri Lanka. Abeysekera (2008c) examined HC reporting

practices with the purpose of understanding the motivations behind voluntary disclosures. For the purpose of data collection, eleven interviews were conducted and was gathered information from published annual reports of 30 listed companies on the Colombo Stock Exchange.

Wickramasinghe (2010) examined employee opinions of an electronic method of human resource information management in Sri Lanka. The survey method was used to collect data from a sample of 30 firms in service and manufacturing sectors Sri Lanka. Also, Abeysekera (2012) conducted a study to investigate the influence of directors (independent) on the remuneration committee on narrative human capital disclosure and, similar to the above studies, data was gathered from the annual reports of the top 30 listed companies on the Colombo Stock Exchange.

Further, as stated in section 2.3.4 above, Wickramasinghe and Fonseka (2012) examined measuring and reporting of HCI and the survey method was employed for data collection from 30 best performing (financially) private sector firms which belong to both manufacturing and service sectors in Sri Lanka. Manufacturing firms included export-based wearing apparel, food and beverages, chemicals and pharmaceuticals, fast-moving consumer goods, and plastic and rubber manufacturing, and the service sector firms contained commercial banking, finance, insurance, telecommunication, and business process outsourcing.

Also in New Zealand, Lees (2003) conducted a doctoral study and employed a case study method to develop a HC measure based on performance ratings of competences of five organisations; bank, law firm, supermarket, ISS engineers, and gaming. Further, Le et al. (2003) reviewed approaches measuring HC and identified three general approaches; cost-based, income-based and education-based. These approaches, then tested through a survey in New Zealand. Similarly, Hendy, Hyslop, and Maré (2002) and Hyslop, Mare, and Timmins (2003) investigated how the value of HC changed between the periods 1986 -1996 and 1986-2001 respectively. Importantly, these studies focused on the employees in New Zealand and no particular sector was identified.

It is interesting that the above studies in Sri Lanka and New Zealand were focused on different business sectors, such as public listed companies, and companies in manufacturing and service sector. Except Lees (2003) in New Zealand and Wickramasinghe and Fonseka (2012) in Sri Lanka, other studies (e.g. Abeysekera, 2008c, 2012; Abeysekera & Guthrie, 2004; Wickramasinghe, 2010) do not report how the sample consists. There is a possibility that they included a bank in the sample along with other service firms. However, it is clear that none of the above studies focused on the banking sector as a whole; thus, how the banking sector in Sri Lanka and New Zealand measure,

manage and report HCI is an unexplored story. This study aims to fill this gap offering a new insight into the HC in banking sector in Sri Lanka and New Zealand.

2.5 Summary- research gaps

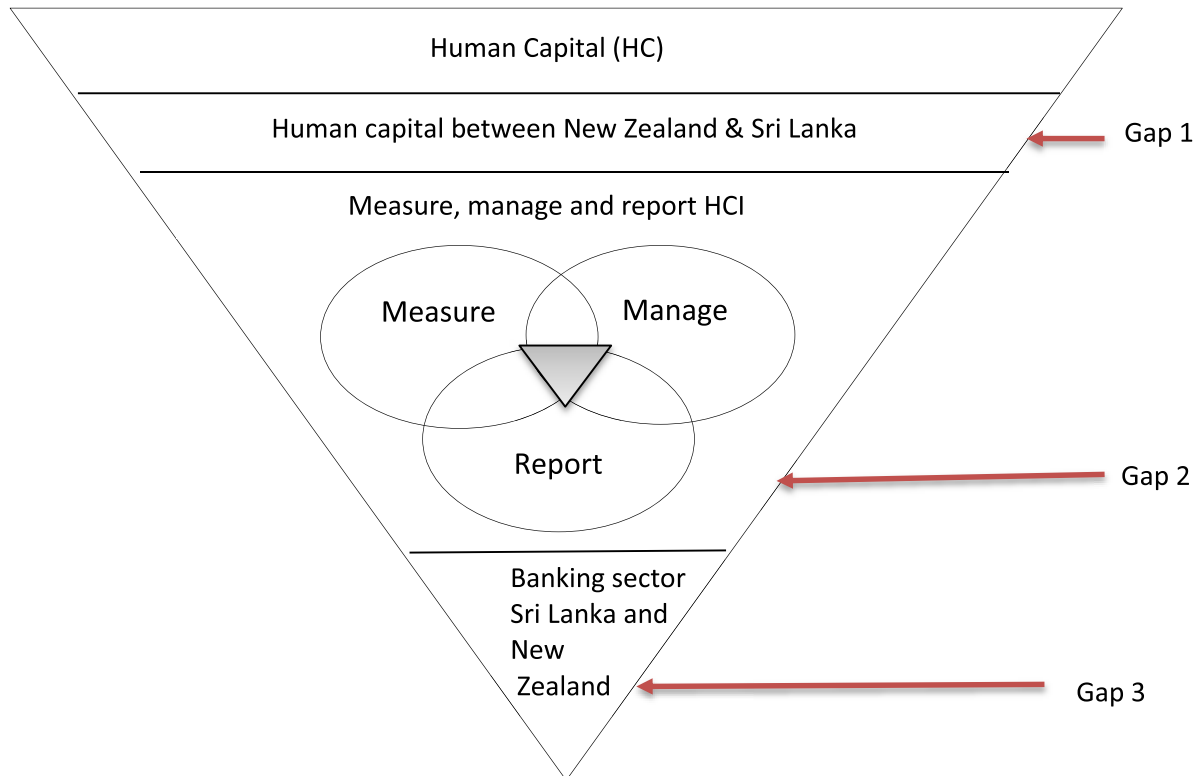


Figure 2-2: Gaps in the literature

As a result of the review of the literature on HC and measuring, managing and reporting on HCI, this study identified three research gaps (Refer to Figure 2-2 above). First, there have been no prior studies in the field of HC between the two countries therefore, until now, there is no clear understanding of how and why HC in Sri Lanka differs from that of the New Zealand (Refer to Section 2.2.3. above). Second, it was discovered that there is a lack of empirical research on the whole process of measuring, managing and reporting on HCI. More specifically, no empirical evidence is provided in the literature on what HC attributes are measured, managed and reported, and why they are important. Thus, measuring, managing and reporting on HCI becomes an important research area which remains under-explored (Refer to Section 2.3.4 above). Third, no studies have focused on three practices of HC in the banking sector in the context of Sri Lanka and New Zealand (Refer to Section 2.4.4 above). This study aims to fill these gaps by exploring how banks in Sri Lanka and New Zealand measure, manage and report HCI.

2.6 Theoretical perspectives of human capital and measuring, managing, and reporting

Many theoretical perspectives have been used in previous research on the field of human capital. This section provides an overview of these perspectives, as they are related to the four concepts that are explored in this study: HC and measuring, managing and reporting, in subsequent chapters.

Human Capital Theory

Human Capital Theory refers to the positive correlation between investment in HC and economic return. In his 1961 paper, 'Investment in HC', Shultz elaborates on the relationship between education and the productivity of employees. Shultz first identified the type of expenditures incurred for HC and then what expenditure contributes to increase productivity. According to Shultz, expenses incurred for HC are categorised as consumption and investment (Schultz, 1961; Sweetland, 1996). Expenditure for consumption is usually provided for acquiring 'full day's work' from the work force, for example, food and shelter (Becker, 1962; Schultz, 1961), but expenses for investment yield a long term return, for example schooling, on the job training and medical care. Schultz (1961) argued that people with no schooling and poor health are unskilled and perform at a lower rate. Therefore, productivity depends on investment in HC. In particular, Shultz emphasises the way investment in HC has to be done. Accordingly, among different ways of improving human capabilities such as health facilities, on the job training, formal education, study programs for adults, and migration of individuals and families to adjust to changing job opportunities, Shultz identified the most appropriate dimension for improving capabilities as 'education' (Schultz, 1961, p. 341). Shultz's perspective of HC can conclude that 'the knowledge and skills that people acquire through education are forms of capital, and investment on this capital yield returns (Schultz, 1961, p. 1).

After Schultz's work, Becker (1962) applied the idea of human capital in economics. Here, Becker's Human Capital Theory is based on both schooling and on the job training (Becker & Tomes, 1994; Sweetland, 1996). Becker's approach in 1964 contributed to the development of Human Capital Theory, introducing a money rate of return on investment in education and training (Becker, 1962). Also, Becker in his work in 1964 argues that employers prefer to invest in training to acquire firm specific skills rather than general skills (Kessler & Lulfesmann, 2002; Kriechel & Pfann, 2005; Swart, 2006). Firm specific HC is used within the specific job or firm, and general HC used in across jobs, firms and industries (Kriechel & Pfann, 2005). As Swart (2006) states, general HC is developed from outside the boundaries of the organisation. Accordingly, this kind of knowledge is easily transferable across the firm. Levels of formal education, years of experience etc. are some indicators that can be used to measure general HC (Kriechel & Pfann, 2005; Swart, 2006). On the other hand, specific HC is

developed within the organisation and cannot be easily transferable to any other firms or industries (Swart, 2006). The knowledge of specific HC is considered unique to an organisation. As Kriechel & Pfann (2005) states, working in a job for a longer period and gaining specific education qualifications accumulate specific HC. According to Becker (1964), employers prefer to invest in firm specific skills rather than generic skills, because such skills cannot be transferable and result in higher return on investment (Kessler & Lulfesmann, 2002).

Stakeholder perspective

The emergence of Stakeholder Theory dates back to the mid-1980s (Freeman & McVea, 2001). With the publication of R. Edward Freeman's Strategic Management- A Stakeholder Approach in 1984, the concept of the power of the stakeholder is manifested in both academic and professional literature. Stakeholder perspective emerged in response to the limitation of existed theories. As noted by Freeman "[O]ur current theories are inconsistent with both the quantity and kinds of change that are occurring in the business environment of the 1980's...A new conceptual framework is needed." (Freeman, 1984, p. 5). Stakeholder replaced the word "stockholder" and the term stakeholder was introduced to reflect "any group or individual who is affected by or can affect the achievement of an organization's objectives" (Freeman & McVea, 2001, p. 4). Stakeholder perspective suggests that an organisation must be involved in activities to formulate and implement processes, that benefit stakeholders who can affect and who are affected by the accomplishment of organisational objectives (Deegan, 2002; Freeman & McVea, 2001). As Freeman and Mc Vea (2001) noted, the key task in this process is to "manage and integrate the relationships and interests of shareholders employees, customers, suppliers, communities and other groups in a way that ensures the long-term success of the firm" (p. 10).

Stakeholder perspective involve two branches; ethical and managerial (Deegan, 2002). How an organisation should treat their stakeholders is explained in the ethical branch. In other words, it emphasises the organisation's responsibilities towards stakeholders (see Donaldson & Preston, 1995; Freeman & Reed, 1983; Hasnas, 1998). The managerial branch, on the other hand, explains the requirement of managing some special groups of stakeholders. These groups appear to be most powerful because of their ability to influence organisational operations (Ullmann, 1985). The managerial perspective of Stakeholder Theory was used in many previous studies to investigate the reasons for organisations to disclose social information (Azizul Islam & Deegan, 2008; Guthrie, Petty, Yongvanich, & Ricceri, 2004; Reverte, 2009). In this context, social corporate disclosure acts as a management tool, which provides the necessary information to stakeholder groups (Abeysekera,

2006). Thus, organisations disclose social information with different purposes, either to manage or manipulate the most powerful stakeholder groups (Gray, Owen, & Adams, 1996).

Legitimacy perspective

In terms of social and environmental disclosures literature, one of the widely used perspectives is the Legitimacy Theory (see Adams, Hill, & Roberts, 1998; Deegan & Gordon, 1996; Guthrie & Parker, 1990; Milne & Patten, 2002). As explained from the Legitimacy perspective, society has the power to influence an organisation. Thus, organisations tend to disclose information about activities as a tool to influence perception of external parties who exist in the society (Deegan, Rankin, & Tobin, 2002; Pfeffer & Salancik, 2003; Woodward, Edwards, & Birkin, 2001).

As explained, in Legitimacy Theory there is a “social contract” between organisations and the society within which they operate. This social contract means the expectation society has over organisations; for example, how the organisation should operate in the business. These expectations are not stable and are changing continually. This makes the organisations vulnerable and they need to take extra care when they conduct the business (Deegan, 2000). By means of having a social contract, organisations try to provide as much as information to stakeholders in a responsible manner in order to satisfy them (Brown & Deegan, 1998; Donaldson, 1982). In doing so, organisations expect that society approves what they do, their objectives, and finally survival (Dowling & Pfeffer, 1975; Guthrie & Parker, 1989).

Political Economy perspective

Political Economy is another perspective which can be used to explain the corporate disclosures. As defined by Jackson (1982) Political Economy is;

The study of the interplay of power, the goals of power wielders and the productive exchange system. As a framework, political economy does not concentrate exclusively upon market exchanges. Rather, it first of all analyses exchanges in whatever institutional framework they occur and second, analyses the relationship between social institutions, such as government, law and property rights, each fortified by power and the economy i. e. the system of producing and exchanging goods and services.
(p. 74)

A brief definition was given by Gray et al (1996) of Political Economy as “the social, political and economic framework within which human life takes place” (p. 47). The meaning behind the Political Economy perspective is that society, politics, and economies are closely connected, and if they disregarded these groups, organisations could not examine their issues (Deegan, 2002). The theory identifies the inconsistent nature of the distribution of power in society and the struggles that

emerge between different stakeholder groups. In this context, organisations have to take action to avoid possible interference of these groups, social, economic, and political, by motivating them. Thus, organisations tend to disclose information in a way which helps in sustaining and legitimising the arrangements of social, political and economic groups (Cooper & Sherer, 1984; Tinker & Neimark, 1987). Annual reports appear to be one of the main tools to disclose organisational information related to social, economic and political fields (Guthrie & Parker, 1990; Tinker & Neimark, 1987). This reporting could be arranged in the private interests of the organisation as, for example, they can decide either not to disclose some information (Chwastiak & Young, 2003) or use different words when reporting (Tinker & Neimark, 1987).

Stewardship perspective

The Stewardship perspective addresses the agency-principle relationship disagreements and the organisational complexities. (Barney, 1990; Davis, Schoorman, & Donaldson, 1997). The Stewardship perspective go a step forward and provide a broader explanation on how the management of an organisation is perform/act when achieving shareholder objectives (Davis et al., 1997; Donaldson & Davis, 1991). Specially, as the Stewardship Theory suggests, managers are keen on achieving high performance in order to provide the best interest to the shareholders (Davis et al., 1997; Donaldson & Davis, 1991). Here, managers of an organisation act as a good steward of the corporate assets and essentially try to do a good job (Donaldson & Davis, 1991). They are not stimulated by individual goals as a self-interested rational economic person (Muth & Donaldson, 1998). However, the Stewardship Theory has not been sufficiently established because it is relatively new (Davis et al., 1997).

Resource Base View (RBV)

Resource Base View explains the potential of organisational resources for creating sustained competitive advantage (Barney, 1991). The ability of a firm to create more economic value over their rivals in a market is identified as competitive advantage (Barney, 1991; Peteraf & Barney, 2003). Since the 1960s, researchers in the strategic management field have made a significant attempt to understand the sources that are used to achieve and sustain competitive advantage (Barney, 1991). In this context, Wernerfelt (1984) argued that firms' ability to achieve competitive advantage is dependent on its substituted resources such as capital, brand name, technology and skills of employees. Wernerfelt's view about competitive advantage was based on the resource perspective, which has provided a new direction in the strategic management field since the 1990s. Thereafter, researchers appeared to be using the Resource Based-perspective to explain the competitive advantages of a firm (e. g. Barney, 1991; Grant, 1991; Peteraf & Barney, 2003). Barney's framework

was a more concrete and comprehensive one. It identified the characteristics of a resource in order to generate sustainable competitive advantage. According to Barney, a resource that is valuable, rare, imperfectly imitable and non-substitutable generates sustainable competitive advantage for a firm. In an attempt to identify resources that have the above noted characteristics, many researchers argued that HC is also a resource that is valuable, rare, imperfectly imitable and non-substitutable (Hatch & Dyer, 2004; Rastogi, 2000) and thus a source of competitive advantage.

Survival of the Fittest perspective

The perspective of Survival of the Fittest originated with Charles Darwin in the 19th century and related to survival and extinction of biological species (Thomas, 1996). Darwin's "survival of the fittest" did not mean the "toughest will survival" but means "the organism that best "fits" its environment has the best chance of survival (Thomas, 2004, p. 24). Accordingly, resources in the world are limited, thus, all living organisms are competing with each other to acquire them (Thomas, 1996). The one who fits in with those changes could survive (Gimeno, Folta, Cooper, & Woo, 1997; Thomas, 1996). The theory could be used to explain why some organisations survive and others collapse. Accordingly, organisations also struggle for survival for many reasons such as high competition and unexpected changes in the business environment. As specified by previous studies, good economic performance (Alchian, 1950; Friedman, 1953; Williamson, 1991) and human capital (Criaco, Minola, Migliorini, & Serarols-Tarre's, 2014; Gimeno et al., 1997) are critical factors, which help organisations to be fitted for the struggle for survival.

Pluralism perspective

The Pluralism perspective indicates how the power is distributed among groups with different interests. Business organisations are complex social constructs that comprise a variety of interest groups (Abbott, 2006). Two such groups are management and employees, who have different values and objectives. Thus, there is high potential for conflict between these two groups over work related activities (Abbott, 2006; Budd, Gomez, & Meltz, 2004). By identifying the inevitable nature of conflict between management and employees, theorists who hold the pluralism perspective, consider these conflicts as a positive factor for the health of the organisations because the perspective reveals the problems associated with employees (Abbott, 2006). Because of conflicts between different interest groups, pluralists acknowledge the existence of competing sources of authority, especially trade unions, which act on behalf of employees' rights. Here, trade unions are regarded as the mechanism to provide support to management, not only to institutionalise employment rules, but also to minimise the level of workplace conflicts.

2.7 Chapter summary

The establishment of HC as a topic of academic interest appeared in the early 1960s. After much debate about what components should be included in the concept of the wealth of nations and over how to define the characteristics of capital, economists appeared inclined to think that the “human being can be construed as an element of capital”. Therefore, as capital is an essential part of the wealth of a nation, and the person is recognised as a constituent of capital, the value of the person must also then be a component of the wealth of a nation. In the intervening years, the concept of HC has been developed at the national level as well as at the organisational. Researchers have attempted to clarify the term HC by giving various definitions, and as a result, an extensive number of definitions have been developed. Though there is some consistency observed among definitions, variation in the meanings of terms clearly shows an absence of consensus among researchers on a single definition of HC. Despite the absence of a unique definition, practitioners and researchers seem to commonly agree that HC in an organisation is perhaps the main source of competitive advantage (Hitt et al., 2001), and certainly a driving force of value creation (Abhayawansa & Abeysekera, 2008). Thus, scholars have argued that HC is something that should be MMR (Dumay & Garanina, 2013).

As a result of the review of the literature on HC and MMR on HCI, this study identified three research gaps; absence of prior studies in the field of HC between two countries, lack of research on MMR on HCI, and that no studies focused on MMR of HCI in the banking sector in the context of Sri Lanka and New Zealand. Having observed the gaps in the extant literature, this study intends to explore the role of HC in a broader perspective gaining grounded qualitative evidence. Therefore, the qualitative method is adopted in this thesis and will be discussed in the next chapter.

Chapter 3

Research methods

3.1 Introduction

The previous chapter presented the literature related to this study's four core concepts, namely HC, and measuring, managing and reporting HCI. This chapter presents a detailed description of the qualitative method adopted in this study based on the philosophical orientation consisting of ontological and epistemological assumptions employed to examine a social phenomenon. Further, the methodological choice is largely influenced by the nature of the research questions, and the absence of an explicit theoretical framework postulated and empirical evidence revealed to clarify the measuring, managing and reporting of HC in the banking sector. Thus, an exploratory qualitative approach is adopted for this research to fill the theoretical underdevelopment, at least in part. In order to capture the context-rich data about the banking sector, a case study design, using multiple data collection methods, is chosen.

This chapter first discusses the philosophical stance taken for this project, briefly introducing the ontological and epistemological orientations, and the methodological choices that flow from these. Next, the interpretivist approach is justified with attention paid to the philosophical stance, nature of the research questions and methods used in prior studies in this field. This chapter then explains and justifies the selection of the case study method in particular over other qualitative methods. The data collection and the analytic procedure are then explained. Finally, the mechanisms to ensure rigour in the study are explained, followed by a summary of the chapter.

3.2 Research paradigm

A research paradigm is a broader concept, which generally refers to the collection of beliefs, values, norms, and the nature of the knowledge a researcher grasps about the world when investigating the phenomenon (Collis & Hussey, 2003; Denzin & Lincoln, 2005). It is important to understand the research paradigm of a researcher because the entire research design depends on it (Collis & Hussey, 2003; Guba & Lincoln, 1994). A researcher could be holding either interpretivist or positivist paradigms based on their philosophical orientation which may be either ontological or epistemological. The following sections provide a brief overview on these two philosophical orientations in order to decide the research paradigm for this research.

3.2.1 Ontological assumption

The ontological assumption relates to a researcher's understanding of the "reality" of the phenomena of interest. The researcher could hold a position of either (1) the reality of the world consists of concrete, "observable" structures, or in contrast, (2) reality depends on human imagination (Morgan & Smircich, 1980). The first position is identified as objectivism, the second as subjectivism. While these may appear to be the two extremes on a continuum, many ontological stances can arguably be found in between (Morgan & Smircich, 1980). Ontological objectivism would consider the social world to be a concrete structure, which consists of many interrelated variables. Thus, reality is found by observing the concrete behaviours and relationships between and amongst the variables that operate in a defined sphere of activity (Morgan & Smircich, 1980). On the contrary, ontological subjectivism refers to that reality which is based upon the perception and experiences of different people. Hence, reality exists within the view of individuals and is individually determined (Eriksson & Kovalainen, 2008; Morgan & Smircich, 1980). Here the researcher takes the subjective ontological position in conducting the research and the view that the only way to find the most meaningful reality is by exploring the view of personnel who are responsible for measuring, managing and reporting on HC.

3.2.2 Epistemological assumption

The epistemological assumption addresses questions such as what is valid knowledge, what are the sources and limits of knowledge and what relationship exists between the researcher and those contributing the behaviours for the research (Collis & Hussey, 2003; Eriksson & Kovalainen, 2008). Epistemology can also have two internal perspectives; objectivist and subjectivist (Eriksson & Kovalainen, 2008). These are, in other words, positive epistemology and phenomenological epistemology (Collis & Hussey, 2003; Morgan & Smircich, 1980). An objective view posits that the world exists outside the researcher (Eriksson & Kovalainen, 2008). In terms of knowledge, researchers with objectivist views think that knowledge is what we can observe and measure. In contrast, with subjectivist views of epistemology, knowledge is what the researcher can produce by understanding "the processes through which human beings concretise their relationship to their world" (Morgan & Smircich, 1980, p. 493). For the current project, the researcher takes the subjective position with regard to the epistemological assumption. In this thesis then, the researcher asks questions about what, why and how banks measure, manage and report on HC. These questions are not closed questions and respondents are invited to give answers as they wish with the involvement of the researcher being crucial in order to gain richer information. In this context, following initial replies to queries, the researcher has to ask probing questions using researcher's

knowledge to gain greater depth and insight in order to interview successfully. Based on the above details, the philosophical orientation of this study consists of the subjective ontological and subjective epistemological assumptions.

3.2.3 Positivist, interpretivist and mixed choice

Positivist paradigm

A researcher who holds a position of objective ontological and objective (positivist) epistemology is more inclined towards a positivist research paradigm as a methodological position (Collis & Hussey, 2003; Eriksson & Kovalainen, 2008). Creswell (2003) defined the positivist paradigm as:

One in which the investigator primarily uses positivist claims for developing knowledge (i.e., cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data. (p. 18)

In positivism, epistemologically it is assumed that the researcher is independent of what is being researched. Ontologically, it is assumed that there is reality in the world, and that needs to be revealed. A positivist researcher does not have an idea about what is to be discovered, thus, research questions are developed based on relevant theories or prior studies. Research questions in a positivist research contain two elements; they explain the relationship to the theoretical framework and contain an unambiguous sentence which ends with a question mark (Gray, 2014). The questions describe possible connections between and among variables that are to be tested (Gray, 2014). Since research questions are broader in nature, a positivist researcher then builds hypotheses based on research questions. These hypotheses are predictive and testable using statistical techniques in order to examine the possible relationship between variable. Examples for positivist data collection strategies are structured interviews, surveys, and observations. Sample sizes tend to be relatively large, and the researcher commences the study, moving from the general to the specific (top-down approach); hence the positivistic approach can be considered a deductive type of research (Collis & Hussey, 2003; Eriksson & Kovalainen, 2008; Morgan & Smircich, 1980). Researchers use the terms, positivist approach and quantitative approach interchangeably, because the data that is collected for a positivist research is mainly quantitative (Bryman, 2012; Collis & Hussey, 2003).

When it came to this study, the aim was to gain a rich understanding about how and why the banking sector measures, manages and reports on HC. Given this context, a positivist approach is not appropriate for this study for the following reasons. First, the research questions of why and how

could only be answered through reliance on the experience of personnel and not by examining relationships between variables. Second, an investigation of causal relationships is not the purpose of this thesis, hence, hypothesis development and testing through statistical techniques is not relevant. Third, the aim of this study was to explore the complexities with regard to the above noted phenomena in the banking sector, rather than to generalise findings from information collected from a mass sample.

Interpretivist paradigm

A researcher with subjective ontological and subjective epistemological orientations will prefer a interpretivist paradigm as a methodological positions (Collis & Hussey, 2003; Eriksson & Kovalainen, 2008). In interpretativism, epistemologically, it is assumed that the researcher is not an independent observer, and interacts with what is being researched. Epistemologically, it is presumed that the reality is based on the experience and perspectives of personnel and not by examining relationships between variables, thus, hypothesis development or testing through statistical techniques is not relevant. The purpose of interpretivist research is not to generalise the findings from collecting information from a mass sample but provide rich explanations; thus creating research questions for interpretivist research is crucial (Turner, 2010). Each of the questions should be able to dig deep into the experiences and/or knowledge of the respondents in order to gain maximum and rich data (Gray, 2014; Turner, 2010). Research questions in an interpretivist research are open ended and provide an opportunity for the respondent to choose their own wording when answering (McNamara, 2009). The interpretivist researcher commences the study, moving from the specific to the general; hence, the interpretivist approach can be considered an inductive type of research (Collis & Hussey, 2003; Eriksson & Kovalainen, 2008; Morgan & Smircich, 1980). Since, the interpretivist researcher mainly use qualitative data, some researchers tend to use the qualitative approach and the interpretivist approach interchangeably (Bryman, 2012; Collis & Hussey, 2003).

Given this study's context, there are at least four requirements which must be met by this project: first, the researcher must gain information and insight into measuring, managing and reporting on HCI from direct responses from the participants about these phenomena. Being an independent observer (not affiliated with the institutions providing the research context), the researcher would not otherwise be able to gain such information.

Second, the research questions of "what" and "why" focused on gaining a rich understanding of measuring, managing and reporting on HCI in the banking sector in Sri Lanka and New Zealand. Thus, addressing the questions of what and why should provide the substance for a more meaningful interpretation of the activities these institutions undertake. Specifically, the questions are suited to

gaining an understanding that the deeper meanings from poorly understood phenomena have for businesses and to see more clearly the ways in which businesses deal with them. The responses for these research questions have embedded words so therefore, the interpretivist paradigm is best suited for this study.

Third, the aim of this study is neither to generalise findings from information collected from a mass sample nor the investigation of causal relationships among variables. It is to explore complexities with regard to the above noted phenomena in the banking sector. In these requirements and this context, it is clear that an interpretivist approach might yield a more encompassing understanding of HC that would contribute to theorising on the phenomenon. Thus, the researcher's paradigm is more towards interpretativism.

Mixed paradigm

A researcher with a middle-range position in both objective-subjective ontological and objective-subjective epistemological orientations will prefer a mixed paradigm (Chen, 2012). Mixed method research is identified as a mixture of quantitative and qualitative methods (Gray, 2014); and is defined as

a research in which the investigator collects and analyses data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study or program of inquiry (Tashakkori & Creswell, 2007, p. 4)

In the mixed paradigm, researchers find that the mix occurs at the data collection stage, both data collection and analysis stages or all stages of the research process (Johnson, Onwuegbuzie, & Turner, 2007). As Hanson, Creswell, Clark, Petska, & Creswell (2005) suggest, the mixed method paradigm permits researchers to not only generalise the findings from a sample to a population, but also to gain a rich understanding of the phenomena. However, this paradigm is discounted in this research because the purpose of this study is to gain a richer and contextual understanding of human capital and the associated three practices rather than generalising the findings through mixing the positivist paradigm and the interpretivist.

3.2.4 Lack of prior studies using the qualitative methods

As explained in the above section, the methodological choice of the researcher is based on the ontological and epistemological assumptions of the researcher (Collis & Hussey, 2003; Eriksson & Kovalainen, 2008). Further, this decision is largely affected by the research questions of the study as well as the research methodologies used in prior research in the field and thus the following section

explains how methodological choice depends upon the review of previous qualitative studies of managing, measuring and reporting HCI.

The relative paucity of qualitative studies in the field of measuring, managing and/or reporting HCI left the researcher feeling that a certain richness was missing from the literature. Confirming the researcher's view Wickramasinge and Fonseka (2012) demonstrated that the studies with quantitative methods such as a survey, do not provide a richer understanding, and in order to get this, studies should be accompanied by qualitative data. Emphasising the lack of qualitative studies Guthrie, Ricceri, and Dumay (2012) found that the majority of research in measuring, managing and reporting have used commentary, content analysis and survey methods. Based on this evidence, the researcher decided to rely on qualitative methods in order to fill the theoretical underdevelopment (Refer to Section 2.3.4. above).

3.3 Selection of the most appropriate qualitative research strategy

Some investigative qualitative strategies, such as biography, ethnography and grounded theory, among others, have gained in popularity among researchers (Creswell, 1997; Struass, 1987). Given this range of choices, a review of their potential contribution to the present case is necessary to arrive at the most appropriate method for this research.

A biographical study gives a deep understanding of an individual, but not a general view about people as a whole. Further, it is ill-equipped to deal with issues of policy and practice, both of which are essential to research on organisational activities such as those under study here. Thus, the biography is an inappropriate method for this study, as it attempts to gain a deep understanding of the banking sector as a whole and how it views and deals with HC.

Ethnographic studies usually focus on a small number of individuals, but then carry out in-depth analysis (Singer, 2009) to learn about the culture of the people within the study (Ploeg, 1999, p. 36). This study was conducted within both a national cultural context and an organisational culture. However, the purpose of this study is not to learn about these cultures or the people who live within them, instead, the aim is to explore how the banking sector measures, manages and reports on its HC and these phenomena are clearly more situated within organisational processes or events. As Flick (2006) stated, ethnography provides less understanding about events or processes than about people, hence, the value of this method in the present context was discounted and was not adopted.

The phenomenology approach to research emphasises the life experiences of several individuals within a phenomenon (Creswell, 1997, p. 51). As Creswell (1997, p. 54) suggests, the

phenomenology perspective has the following assumptions: (1) the researcher can only understand what is going on if they hear it directly from the participants, (2) the questions the researcher asks participants will enable the participant to describe what is happening in their lives, (3) the data will usually be gathered by interviewing participants, (4) the data analysis will produce clusters of meanings and may be very textual and descriptive, and (5) assists the reader to gain a better understanding of the experiences of the participant. This methodology is not suitable for the purpose of this study as while the data collection method of the current study consists of interviews, the researcher also uses other approaches, such as content analysis of documents such as annual reports, media releases, website information and internal (the firms providing access) documents. Phenomenological study, however, focusses on information that is directly gathered from interviews (Creswell, 1997; Groenewald, 2004). Since this study utilises multiple data sources, face-to-face interviewing in particular, the phenomenological method is inappropriate for the data collection strategy.

The grounded theory approach is recognised as best suited for studies of poorly understood and conceptually underdeveloped phenomena (Strauss & Corbin, 1990, p. 37). In this context, this study attempts to explore what and why banks measure, manage and report on human capital questions that have not been answered sufficiently in prior studies. Therefore, this study focusses on poorly understood and conceptually underdeveloped phenomena. The grounded theory approach is thus an appropriate orientation for the investigation of these phenomena. However, grounded theory was discounted as detailed below.

Scholars began to work on human capital topics from 1958. From these studies, current work has profited from a substantial body of theoretical foundations, indeed 30 theories were identified by Ienciu (2012) in his study on "Theoretical Fundamentals of Human Factor" after analysing numerous internationally recognised accounting journals. Importantly, Ienciu noted that only a few theories were tested repetitively. As Ienciu (2012, p. 255) found, the most repeated theories are, (1) Agency Theory (2) Human Capital Theory (3) Organisational Theory (4) Signalling Theory (5) Legitimacy Theory and (6) Intellectual Capital Theory. The theories remaining were used in only a small number of studies. This appears to be something akin to a "popularity contest", where researchers try to test or utilise only a limited number of established theories, tending to ignore other less popular theories. This context shows that the field of human capital needs more qualitative ground work to clarify the issue of ill focused theories or over emphasis on popular theories in order to tidy the theoretical understanding about the measuring, managing and reporting on human capital, rather

than generating another theory. As Glaser and Strauss (1967) stated, the purpose of grounded theory is to “discover theory from data” (p. 1); thus it may not suit the purpose of this study.

A case study approach could be used when 1) the focus is to gain a comprehensive understanding of why and how questions, 2) the researcher’s control over behaviours of those involved in the event is poor, and 3) when the researcher investigates a contemporary phenomenon within its real-life context (Baxter & Jack, 2008; Woodside, 2010; Yin, 2003; Yin, 2009). Referring now to the present study, there are three considerations that support the choice of the case study method. First, the focus is to gain a rich understanding of what, why and how the banking sector measures, manages and reports on its use of HC. The case study will provide an especially strong means for observing these. Second, because of the researcher's control of the situation and environments within which these phenomena exist, the most direct and relevant approach to data is through in-depth interviewing. For example, beyond interviews, this study collects data from other non-human sources, mainly published documents, where the researcher has no control over the content of the documents. Third, this study explores current practices in the measuring, managing and reporting on HC activities in the banking sector and hence is ideally suited to the case study method, as it fulfils all three of these conditions.

3.4 Case study method

As Yin (2009, p. 18) defines the technique, case study research is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. Yin (2009) also pointed out five components that should be contained in a case. They are; (1) a set of clear research questions (2) research propositions (to be tested), if any, (3) the unit(s) of analysis, (4) the logic behind linking the data to propositions, and (5) criteria for interpretation of the findings. Each of these components is described below in line with the current study.

The Research Question is “How do banks in Sri Lanka and New Zealand measure, manage, and report HCI?” The research questions of this study focus tightly on the “how” organisations view and work with HC, whilst the case study method is quite appropriate for “how” questions. (2) Propositions place limits on the scope of the study and provide directions as to what the researcher should examine (Baxter & Jack, 2008; Yin, 2009). This study is exploratory, which means it generally does not offer propositions (Baxter & Jack, 2008; Yin, 2009) in the form of hypotheses. It aims to add theoretical contributions rather than testing hypotheses which is characteristic in research that uses grounded information. (3) The unit of analysis is what the researcher is going to examine and

analyse. In this study, the focus is placed on individual banks, and therefore, the unit of analysis is the bank. In line with Yin's (2009) classification, this study focuses on one single case (the banking sector, and within that, the bank as the unit of analysis); thus it is recognised as a single-embedded case study.

The next two components: (4) the logic behind linking the data to propositions and (5) criteria for interpretations of findings, are related to the data analysis process, which is detailed in the following chapters (Refer to Chapters 4-8).

3.5 Data collection procedure

Both primary and secondary data were used for this study. Primary data was collected via semi-structured in-depth interviews and secondary data was collected from both published and unpublished sources including annual reports, media publications, website publications and case studies. The following sections provide more detailed descriptions of how the researcher collected the relevant information.

The data collection process involved six steps: (1) designing the interview schedule, (2) locating sites and identifying potential respondent individuals (3) gaining access to interviewees (4) conducting interviews and (5) identifying relevant secondary sources and collecting data from them. The analytic process follows that as outlined by Creswell (1997).

3.5.1 Designing the interview schedule

Interviews are considered an appropriate method for "exploring and uncovering stories" (Phillips & Stawarski, 2008, p. 12) in a natural setting (Ahrens & Chapman, 2006; Merchant & Stede, 2006). This research was conducted in such a setting in order to uncover and explore the human capital story. Hence, interviews were considered an ideal means to gain information from the participants. There are different types of interview methods such as structured interviews, unstructured interviews and semi-structured interviews (Gray, 2014). Structured interviews involve pre-prepared and standardised questions and are used to collect quantitative data (Gray, 2014). In contrast, unstructured interviews do not involve pre-arranged questions. The researcher starts the interview keeping a notion of the objective of the research, and addresses it in the interview. Usually, the researcher builds a rapport with individual respondents and unstructured interviews are often used to understand the areas that are not fully understood (Gray, 2014). Semi-structured interviews include non-standardised questions and are often used to collect data for qualitative analysis (Gray, 2014). Semi-structured interviews provide an opportunity for researchers to manage the direction of

an interview, providing a guide containing a mixture of open and closed questions. These questions are improved through paraphrasing (where the interviewer rephrases the answer given by interviewees to show how he/she heard and understood the answer), probing (raising additional questions) and summarising (repeating the same idea (Cavana, Delahaye, & Sekaran, 2001). The purpose of this study was to gain rich information about HC in the banking sector organisation. For this purpose, the study used an interview guide containing a set of open ended questions; therefore, semi-structured interviews were used for data collection.

The first and key step of conducting semi-structured interviews is designing the interview schedule (Creswell, 2003). An interview guide in a semi-structured interview serves as an outline to obtain more comprehensive and thoughtful information on all aspects of sub topics of interest (Arksey & Knight, 1999). Having an interview schedule assists in conducting interviews in a more structured manner than conducting interviews via informal conversations (Gall, Gall, & Borg, 2003). Conducting informal conversations depends upon how the researcher poses the questions (Turner, 2010); however, the issue is that the way the researcher poses the question could vary from one respondent to another. This may result in inconsistent answers from the respondents even to similar questions (McNamara, 2009). This weakness could be eliminated by using an interview schedule (McNamara, 2009). As McNamara further detailed, an interview schedule provides more focus than the conventional approach, but still provides the researcher with the freedom and flexibility to pose the questions from respondents. Thus, this study also used an interview schedule to pose consistent questions.

The interview schedule for this study was developed from the list of research questions. As stated in chapter one, this study involves four research questions and based on these, fifteen semi-structured questions were developed to conduct interviews. The purpose of each question in the interview was to explore the views and experience of respondents on HC and the measuring, managing and reporting of HCI. These questions were designed with the belief that each question will provide a deeper insight into banks' human capital practices by exploring uncovered information. These research questions were then amended and tested through preliminary developmental discussions to make sure that the respondents understood the questions, and that answers would likely meet the researcher's requirements for quality, depth and detailed response.

Preliminary discussions

A preliminary discussion is defined as a "small-scale version of the planned study, trial runs of planned methods, or miniature versions of the anticipated research in order to answer a methodological question(s) and to guide the development of the research plan" (Prescott & Soeken,

1989, p. 60). It tests the method and ideas of the research in a small- scale to ensure that the researcher prepares for the main study (Jairath, Hogerney, & Parsons, 2000; Prescott & Soeken, 1989). The purpose of conducting preliminary discussions in this qualitative study was to test the interview schedule in preparation for the main study and to make sure that the questions in the schedule uncover the required information from respondents. Further, it is intended to assess the feasibility of the research process, especially how the respondents react within the institutional and cultural context (Hundley & van Teijlingen, 2002). Preliminary discussions were planned from the beginning of the research but conducted before the actual investigation (Lindquist, 1991; Locke, Spirduso, & Silverman, 2000). Conducting a preliminary discussion helped the researcher to make required alterations and adjustments (Kim, 2010, p. 191). Further, if the questions in the schedule would not work in practice, then the researcher could make the necessary modifications. However, preliminary discussions may not be expected to produce results and thus the researcher was not expected to count the views of respondents in the preliminary discussions (Watson, Atkinson, & Rose, 2007). For this reason this study purposely avoided talking to banks (which is the focus of this study) when selecting respondents for the preliminary discussions. Thus, this study selected a university in each country for the purpose of preliminary discussions. Two reasons influenced the researcher to select a university: (1) Similarly to banks, the university also belongs to the service sector and is rich in human capital, (2) the ready access to universities in Sri Lanka and New Zealand, and (3) if the response rate from banks was low, therefore, conducting preliminary discussions with banks may result in losing a substantial amount of valid responses as a part of the final results.

This study conducted two preliminary discussions, one in New Zealand, and other in Sri Lanka. The reason for conducting two preliminary discussions in two contexts was due to the difference in the culture, economy, and political situation between two countries. There was the possibility that the respondents in New Zealand understood the questions differently from those in Sri Lanka. Thus, in order to make sure that the researcher could use the interview schedule consistently in both countries, this study conducted two preliminary discussions in both countries.

Accordingly, respondents from Lincoln University in New Zealand and the University of Kelaniya in Sri Lanka were selected for preliminary discussions. The respondent from Lincoln University was the human resource analyst (non-academic) who was employed in the human resource section in Lincoln University. She was the person responsible for communication with external parties regarding employees. The respondent who participated in Kelaniya University in Sri Lanka was the registrar of the university, who was found to be the person ultimately responsible for all academic and non-academics employed in the university. The phenomena under study primarily represent

employee issues, thus, human resource offices in universities in both countries of interest were selected for the preliminary discussions. Accordingly, the respondents approached by the researcher were most likely to be quite expert on measuring, managing and reporting on employees, as these are fundamental responsibilities in those positions. These preliminary discussions led to a variety of refinements in the interview schedule. For example, after the discussion in New Zealand, it was found that the phrase “measuring HC” in the following set of questions was not familiar to the respondent.

1. What is your bank’s view on measuring human capital?
2. Are there any particular reasons for that view?
3. What does your bank measure about employees?
4. Are there any particular ways to measure human capital information?
5. What does your bank do with these measures?

The respondent’s answer for the first question was “We do not measure human capital”. The researcher realised that the term measure was not quite familiar to the respondent, thus, the wording was changed from measure to collect, and continued the interview. However, the researcher realised that the term collect, did not provide a proper frame for a meaningful response. Therefore, the researcher retained the original term measure, but with more detailed examples and explanations. For example, the researcher provided the meaning of the term measure and gave a few examples such as the number of academic staff members in the university and the calculation of training and development expenses. These additional explanations helped to enhance the clarity of the questions. After few amendments the interview schedule was then tested in an identical manner in Sri Lanka.

Similar issues were observed in Sri Lanka. In addition to the clarity about the terms, it was highlighted in the preliminary discussion that some questions in the interview schedule were causing confusion in the respondent’s mind. For example, the researcher posed a question: “How does the university define the term human capital?” The respondent took a considerable time to answer this question. The researcher realised that respondents need time for recall and to organise the answer. This was an obstacle to digging deep information from respondents. The less clear the questions, the more likely it is that the researcher loses in-depth information (Bachman & Schutt, 2014). Thus, the question was changed to: “What does your bank expect from employees?” After these alterations, the interview schedule given below was used to conduct interviews with banks, first in Sri Lanka and then in New Zealand.

Semi-structured Interview Schedule

Human Capital

1. Who is responsible for making decisions about the measuring, managing and reporting of human capital information?
2. What does your bank expect from employees?
3. What is the bank's view about human capital?

Managing Human Capital

1. What is your bank's view on the managing of human capital information?
2. Are there any particular reasons for that view?
3. What human capital information does your bank manage?
4. Are there any particular ways to manage human capital information?
5. Why does your bank think it is important to manage human capital information?

Measuring human capital

6. What is your bank's view on measuring human capital?
7. Are there any particular reasons for that view?
8. What does your bank measure about employees?
9. Are there any particular ways to measure human capital information?
10. What does your bank do with these measures?

Reporting Human Capital

11. What is your bank's view on reporting human capital information?
12. Are there any particular reasons for that view?
13. Are there any reasons to report employee information to outside parties?
14. What employee information does your bank report to outside parties?
15. Are there any particular ways to report?

3.5.2 Locating sites and individuals in Sri Lanka and New Zealand

A significant decision that any researcher needs to make in the data collection process is related to locating sites - Where were the most appropriate sites for data collection? As detailed in Section 1.3 in Chapter 1, this study selected the banking sectors in Sri Lanka and New Zealand as a case sector and there are 34 banks operating in Sri Lanka (Refer to Table 2-4 above) and 25 banks in New Zealand (Refer to Table 2-4 above). In order to select the sample, a two stage sampling strategy was employed in this study. The first stage involved the selection of banks in both countries and the second stage of sampling involved the selection of the right personnel for interviews.

The population of banks was both small and varied; hence, for the first stage of sampling, the whole population of 34 banks in Sri Lanka and 25 banks in New Zealand were invited to participate in the study. Banks in both locations usually consist of a number of branches, with a head office having control over these. As a result of enquiries made with the banks, the researcher understood that the

banks' head offices were involved in employee administration to a larger extent than branches, whilst the branches were more involved with banking operations. Therefore, the majority of employees were employed in branch offices, rather than in the head office. Thus, branch managers were in a better position to provide information about their HC and the range of activities relevant to the study. However, it was clear that the human capital question was relevant in both contexts. As a consequence, the researcher decided to collect data from both head offices and branches. When selecting a branch among the network of these, the researcher had to depend on the head office in selecting a target branch because the participation of a branch to the interview is largely influenced by the head office.

The second stage of sampling was to select the most qualified personnel at each location for interviews. As Rubin & Rubin (2005) argued, in a qualitative research, it is not an easy task to comprehend how much useful information the interviewee can provide. Thus, "the best you can do is choose a person who is in the appropriate position" (Rubin & Rubin, 2005, p. 66). The personnel in senior positions were considered to be those who have broad knowledge about the business practices, policies and strategies of an organisation and therefore, it is expected that the upper level personnel may contribute by giving in depth and relevant information more than operational employees. Importantly, managerial personnel involved in the concepts of HC and measuring, managing and reporting on HCI may have better ability to understand research questions and provide more comprehensive information than other upper level managers. Thus, for the second stage of sampling, it was decided to select personnel who were responsible for each human capital concept of interest to the study - measuring, managing and reporting on HCI - such as the Manager of Human Resources, the accountant and the legal officer. After deciding on the sites and identifying the individual that this study should be focused on, the next step was to gain access to the sites and interviewees. The process followed in this purpose is detailed in the sections below.

3.5.3 Access to interviewees

As stated in the above section, the entire population of banks was used as the sample of this study; hence, the 34 banks in Sri Lanka were invited to participate in the study. In Sri Lanka, the researcher attempted to find names and contact details for higher level administrators from each bank's website (all 34 banks have an online presence). However, other than the ordinary contact details of the bank, no information about higher levels of administration were indicated on the website, therefore the researcher used the official postal address as well as an email address to send formal letters of introduction to the Manager of Human Resources with a request for an appointment. After

a week, additional follow-up emails were sent, and in two weeks' time, telephone call follow-ups were made to banks that had not responded to earlier requests.

There are 25 banks in New Zealand. However, four of these were subsidiaries of larger concerns and were therefore not treated as separate. Thus, 21 banks were identified as independent, representing the bank population in New Zealand. Utilising the same procedure as in Sri Lanka, the entire population of banks was targeted for data collection. The following steps were taken to invite the banks to participate in the data collection process. The researcher first sent web inquiries asking for a suggestion of a relevant employee with whom to communicate. For banks that had not responded to previous requests, a formal letter of introduction, with a request for an appointment was sent addressing the personnel related to human resources in each bank. Here, the researcher used the banks' official postal address as well as an email address, which were on the websites of each bank. In the case of few responses, the researcher had a back-up plan to contact the banks via the highest ranking position of the bank, for example Chief Executive Officer (CEO).

3.5.4 Conducting interviews in Sri Lanka and New Zealand

After identifying and confirming the interviews with the respondents, the next step was to conduct the interviews after ensuring international and national ethical standards. As previous studies suggest, it is vital to have a thorough understanding of the banks' circumstances before interviews with them (Easterby-Smith, Thorpe, & Jackson, 2008). Thus, before conducting the interviews, the researcher made sure of having a comprehensive view of the background of the banks. Specifically, published documents such as annual reports, media publications and corporate websites gave an insight into what extent each bank was concerned about their HC, what attributes of HC they reported and measured etc. This type of prior knowledge would help the researcher to not only conduct the interviews successfully but also win the trust of interviewees (Easterby-Smith et al., 2008) convincing them that the researcher well knew the circumstances of the bank.

As part of the interview plan, at the beginning of each interview, the researcher intended to request an introductory meeting with each bank. The purpose of these introductory meetings was to explain the research purpose, discuss the possibilities of meeting with the personnel responsible for each practice of the three HC practices that are the focus of this study, and to fix future dates for interviews. In addition to these, ethical aspects of the research also would explain, using Lincoln University's Human-Ethics Committee (HEC) process as a guide. Formal approval from the HEC was not mandatory for this research because participants were interviewed in their professional capacities. Accordingly, in the introductory meeting the researcher would explain some other

information such as the duration of the interviews, how the collected information would be used, how the responses would be recorded, and anonymity (Easterby-Smith et al., 2008), in order to build the trust and interest of the interviewees. Also, the rights of interviewees would be explained. In this regard, the researcher would clarify that participation in the research was voluntary and he/she may withdraw and discontinue participation at any time, as well as having the right to decline to answer any question they feel uncomfortable with. Further, the researcher would emphasise that there would be no right or wrong answers and the researcher's interest is focused on the banks' procedures. Finally, the researcher would ensure the confidentiality of the information and the information provided. After these clarifications, the researcher would gain the consent of respondents in writing (via signing the consent form). After gaining consent from each bank, the next step was to conduct interviews and gather information from secondary sources.

3.5.5 Data collected from other sources

The reasons for using multiple data sources could be attributed to four reasons. First, a unique feature of the case study method is methodological triangulation (Yin, 2009). Second, the use of other data sources enhances the trustworthiness of the research (Refer to Section 3.7 below). Third, these other sources are mainly used to investigate what banks measure, manage and report on HCI. In certain cases, some information from other sources may be useful to cross check the interview responses. Finally, in a case where the response rate is low, these other sources could be a back-up plan to gather detailed information about measuring, managing and reporting on HCI. For these reasons, this study used other sources such as annual reports, website publications, media publications, case studies and other sources of banks as detailed below.

The Annual Report is the 'main disclosure vehicle' of an organisation, and is considered the most comprehensive document available to the public (Marston & Shrives, 1991, p. 196). It is an influential document, because some stakeholders make decisions based on information in annual reports (Hooks, Coy, & Davey, 2002). More importantly, annual reports contain wide varieties of information (Hooks et al., 2002), including employee information. Further, in the reporting of human capital research, the commonly used source for data collection is annual reports (Wickramasinghe & Fonseka, 2012). Thus, this study also used recent annual reports of each bank.

Earlier, the traditional way of reporting organisational information was via hard copy of annual reports, however, nowadays, the reporting method is based on the high-speed broadband internet (Do, Davey, & Coy, n.d.). With almost all organisations using websites to report organisational

information to the public, which includes human capital information. However, website information is rarely used for research on measuring, managing and/or reporting on HCI.

Media releases were another source of information used in this study. Media releases or in other words, press releases, are an official statement issued to newspapers giving information on a particular matter (Stevenson & Waite, 2011). Among a wide variety of information, organisations now issue certain information about their human capital to the public through the press. This study considered information reports through the media from 2011 to the date of data collection.

Other than the above stated three sources, the researcher found two case studies prepared by two banks, one in Sri Lanka and the other in New Zealand. The purpose of these case studies was to investigate particular phenomena (Gerring, 2004). Sri Lanka's case study was about employee diversity, and New Zealand's case study was about employee engagement. The first is a published case study and the second is an internal document. In addition, the researcher collected information from some other internal documents such as reports of annual general meetings, and newsletters.

3.6 Data analysis procedure

As Merriam (1998) explains the data analysis of a qualitative study is a complex process, which uses both inductive and deductive reasoning, moving backwards and forwards between data and themes and between descriptions and interpretations. As Miles and Huberman (1994) state, qualitative data analysis contains three synchronised flows of activity; data reduction, data display and drawing conclusions. Miles and Huberman defined data reduction as the "process of selection, focusing, simplifying, abstracting and transforming the data that appear in written-up field notes or transcriptions (1994, p. 10). It can occur throughout the research, even before the collection (for example, when researcher decides which cases or which research questions need to be used), as data collection proceeds and after field work, until the researcher completes the final report. Data display occurs when the researcher organises the data and combines the gathered information in order to derive a conclusion. The third activity, drawing a conclusion and verification is based on the above two stages. As Miles and Huberman state, the qualitative researcher begins to think what will happen in the end based on available explanations; however, the researcher holds this conclusion lightly and maintains openness until the end, because the researcher knows that the final conclusion may not appear until the completion of the data collection. Miles and Huberman demonstrated that these three activities occur as an interactive, cyclical process together with data collection; thus the researcher can move from one activity to another for the rest of the study. The current research also

followed the same process as explained by Miles and Huberman (1994) for data analysis (Refer to Figure 3-1 below).

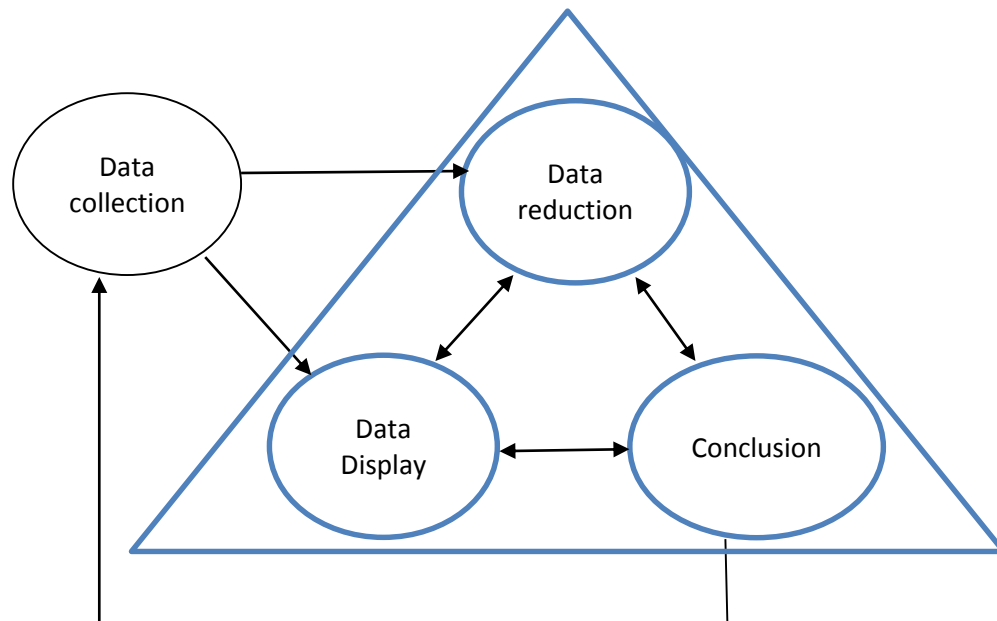


Figure 3-1: Components of data analysis

However, as researchers suggest, it is hard to explain the data analysis process satisfactorily unless the researcher constructs a map (Rein & Schon, 1977). For this purpose, the current study used Carney's "Ladder of Abstraction" (Miles & Huberman, 1994, p. 91), which describes the process as creating text to work on, coding categories on it, identifying themes and trends, and then testing hunches and findings to first outline the "deep structures" and then to combine the data into an exploratory framework (Miles & Huberman, 1994, p. 91) (Refer to Figure 3-2 below).

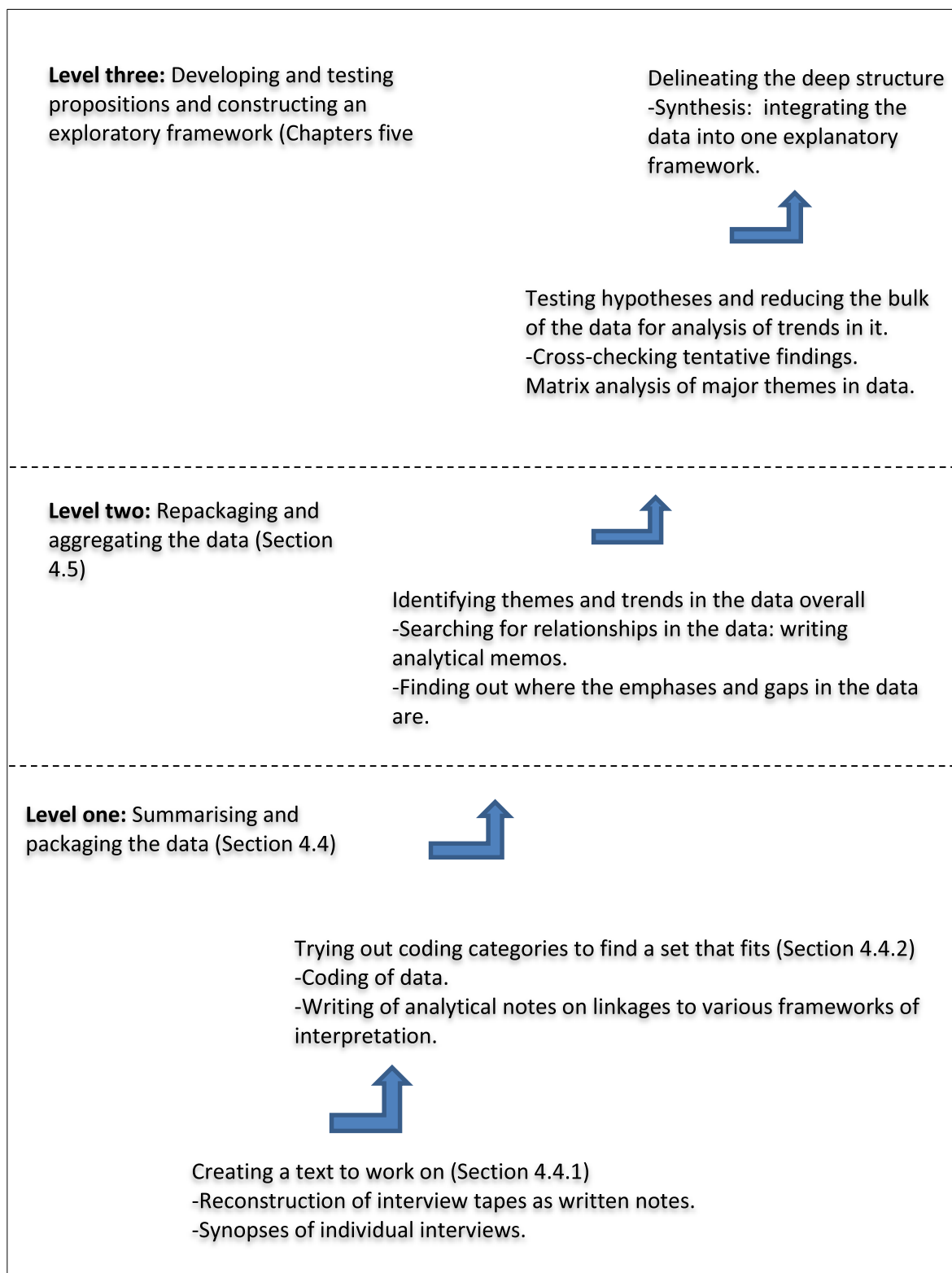


Figure 3-2: Ladder of Abstraction

3.6.1 Level one: summarising and packaging the data

In this study, the researcher collected data from semi structured interviews, and secondary sources including annual reports, website publications, media releases, and two case studies. Apart from the

audio recorded interview, all other data sources generate text, therefore, the researcher transcribed all the audio recorded interviews to text. As endorsed by Patton (1987), a researcher could gain two prime advantages from the process of self-transcribing of recorded interviews. First, it provides an overall picture of the substance of each interview; second, listening to interviews repetitively and typing helps in absorbing the meanings of responses and developing codes. Further, it helps the researcher to develop interviewing behaviours such as being careful in listening, thinking while listening and asking additional questions in case new ideas emerged, and having the courage to probe, which could be useful in following interviews.

When translating the recorded interviews which contain spoken language to “text”, it is important to decide the level of transcription (Halcomb & Davidson, 2006). Prior research has not provided the best method, however, as Poland (1995) asserts, the inter-subjective nature of human communication and transcription as an interpretative activity should be reduced to enhance the level of accuracy of transcription. As a few authors advocate, a verbatim transcription is central to the reliability, validity and veracity of data collection in a qualitative study (MacLean, Meyer, & Estable, 2004; Seale & Silverman, 1997). Gilbert (1993) suggested using verbatim transcription, stating that use of selective transcription provides a limited definition of how the data collection actually happens. Moreover, Halcomb and Davidson suggested that the closeness between researcher and the text is critical in research and is reinforced by theoretical frameworks such as phenomenology and grounded theory; thus, “verbatim transcription is beneficial in facilitating data analysis by bringing the researcher close to their data” (2006, p. 40). Prior research helped the researcher decide the level of transcription as verbatim which involved word-for-word reproduction of verbal data where the written words are an exact replication of the audio recorded words (Poland, 1995). Accordingly, all verbal conversations together with the non-verbal conversation would be recorded for coding purposes.

Coding text

‘Code’ is defined as the label for assigning descriptive information collected during the study (Miles & Huberman, 1994; Saldana, 2008) and the coding process is the analysis of data in a qualitative research, or in other words, the review of the set of data, transcribed and separated meaningfully while keeping the relations between the parts intact (Miles & Huberman, 1994, p. 56). In this context, data analysis in a qualitative research formally starts with coding. Miles and Huberman (1994) identified three types of coding in a qualitative research; descriptive codes, interpretative codes (categories), and pattern codes (themes). Accordingly, the first step of the coding process is to create descriptive codes.

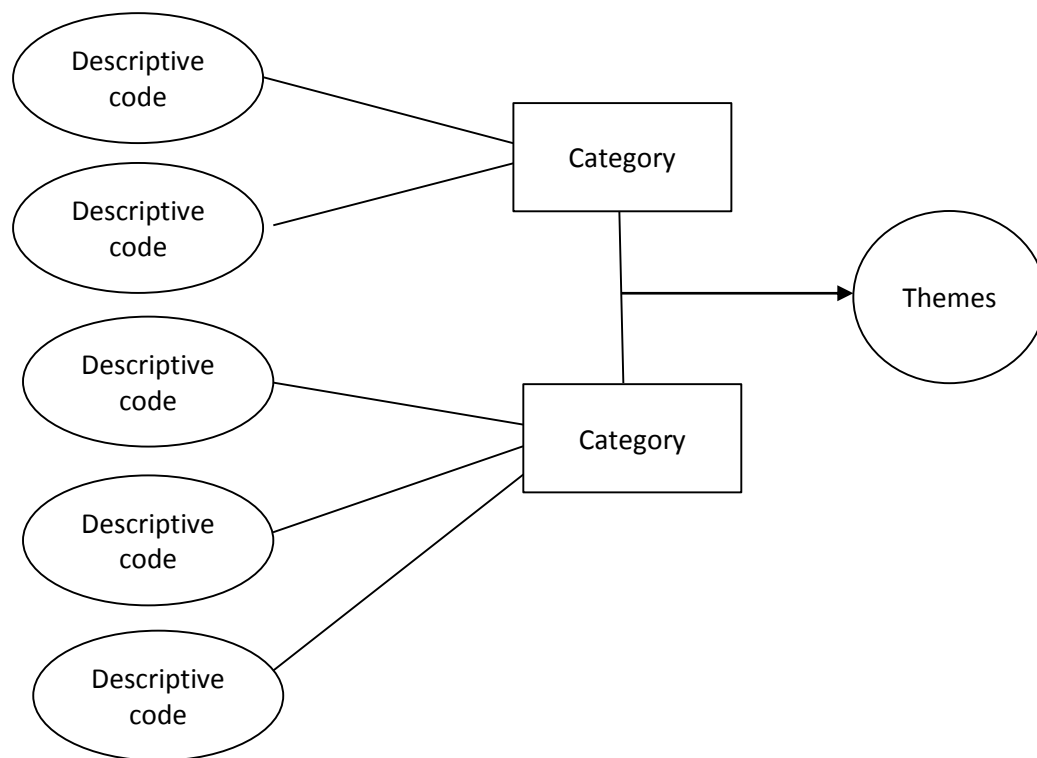
Development of descriptive codes

The descriptive codes are basic types of codes and used with little interpretation. The purpose of a descriptive code is to describe the attributes of a particular segment of text and the method of developing descriptive codes could be either deductive or inductive (Elo & Kyngas, 2008; Hsieh & Shannon, 2005; Moretti et al., 2011). In the inductive method, a code is developed based on the data. Accordingly, words, sentences, paragraphs (chunks) in the texts are coded according to the relevance of the themes. This is in fact the grounded theory approach originated by Glaser and Strauss (1967). In the deductive method, the researcher could use a pre-defined list of codes. From the two methods of developing descriptive codes, from previous research or from the responses or data in this research, this study would use the responses from banks to develop codes rather than the themes used in previous research. The reason to develop a new coding framework rather than using a predefined one is because this research collected grounded data with the purpose of understanding unexplored narratives about HC and the related three practices of banks. This required the researcher to develop a new framework which was more open minded and more context sensitive (Miles & Huberman, 1994, p. 58). Of the two methods of developing descriptive codes, manual or computer assisted software such as Atlas, Hyperresearch, NVivo, etc. (Mayring, 2000; Yin, 2009), this study decided to use the second option. Software, in fact assists in data analysis of a qualitative research, and does not analyse data on behalf of the researcher (Yin, 2009). Data analysis by computer software involves entering the textual data, sorting data, storing data, defining the initial codes and then matching text with codes, counting the frequencies of incidents or words or codes and running Boolean searches to show multiple combinations etc. (Yin, 2009), This is an iterative process and helps to build complex and coherent categories of codes. The use of computer assisted programs would help the researcher when coding and analysing the huge amount of data relatively quickly (Miles & Huberman, 1994). This study involves in depth interviews, annual reports and some other sources and annual reports usually contain substantial amount of information. This study would deal with a larger amount of text, thus the NVivo program would assist the researcher in data analysis. Refer to Section 4.4.2 below for further details on how this study developed descriptive codes.

3.6.2 Level two: repackaging and aggregating the data

After developing descriptive codes, the next stage of data analysis was to construct categories and themes with more interpretations (Miles & Huberman, 1994). Categorising helps a researcher organise and group similar codes into categories or families based on similar characteristics (Saldana, 2008). At this stage, the long list of descriptive codes would be reduced through refining, merging and integrating to categories based on their similarities and the way the respondents interpret them

(Saldana, 2008). Some categories may be found to be interrelated and merit further grouping into themes, thus, the data could be further reduced and aggregated (Miles & Huberman, 1994). These themes are more explanatory and inferential and pull together substantial amounts of information into more meaningful constructs (Miles & Huberman, 1994). Refer to Figure 3-3 below for the process of developing categories and themes.



Adapted from Saldana (2008, p. 12)

Figure 3-3: The development of categories and themes

Refer to Section 4.5.1 below for more details on how this study developed categories through grouping descriptive codes and Section 4.5.2 below for how the patterns among categories were identified in order to construct themes.

3.6.3 Level three: developing and testing propositions and constructing an exploratory framework

As per Carneys Ladder of Abstraction (Refer to Figure 3-2 above), the third stage of the data analysis was the development of the exploratory framework or cognitive map. The framework would be built using interrelated themes which help the researcher elaborate more integrated schema for

understanding phenomena (Miles & Huberman, 1994). The relationship between themes would be based on the respondents' views.

3.7 An evaluation of the trustworthiness of the study

Regardless of the research approach, the quality of any research is assessed by readers by judging the reliability, validity and objectivity of the data collection and data analysis. Generally speaking, assessing reliability means the possibility of replicating the study and validity means the accuracy of the research results (Gray, 2014). Regarding objectivity, researchers should be able to maintain distance from what they study so findings are free from biases (Payne & Payne, 2004, p. 153). These criteria find their roots in a positivist paradigm (Golafshani, 2003); however, as argued by some researchers, different sets of criteria need to be used to assess the rigor of a qualitative research (Johnson, Buehring, Cassell, & Symon, 2006).

For example, Lincoln and Guba (1985) outlined four criteria to replace reliability, validity and objectivity in a positivist paradigm as: credibility to internal validity, transferability to external validity, dependability to reliability, and objectivity to confirmability. This study employed qualitative methods, hence, this section explains what strategies were implemented to ensure the trustworthiness of the research via assuring credibility, dependability and confirmability (Golafshani, 2003; Guba, 1981; Shenton, 2004).

Credibility of the study - internal validity

The credibility of a study deals with the question of how the researcher establishes confidence in the truth of the findings in the context in which the inquiry was carried out (Guba, 1981). This study enhances the credibility of the study using a few strategies. First, prolonged engagement with the phenomena within the context (Baxter & Jack, 2008; Krefting, 1991). This research adopted a semi structured interview process as a data collection method, hence, the researcher has to spend considerable time with the informants in order to gather information.

Second, triangulation is another way of enhancing the credibility of a case study research (Baxter & Jack, 2008). There are four existing types of triangulation: data methods, data sources, theoretical and investigator (Baxter & Jack, 2008; Krefting, 1991). This research uses a number of data methods including semi structured interviews, website information, annual reports, internal documents and media releases, hence, data method triangulation exists (Knafl & Breitmayer, 1989).

Third, this study used member checking as a way of achieving credibility (Krefting, 1991). That is, after data collection and analysis, the researcher would share the findings with the respondents

(Baxter & Jack, 2008). This would provide an opportunity for researchers to ensure that they have accurately transcribed the information from the informants (Krefting, 1991). Further, it gives an opportunity to discuss and clarify the findings and take a new perspective on a case if there is an issue (Baxter & Jack, 2008).

Other than above, this study used strategies such as using tape recorders to record all possible interviews and recording the perceptions and behaviours of respondents. Possibly, these strategies would enhance the credibility of the research (Gray, 2014).

Dependability of the study

Dependability refers to the ability to get constant findings if the study were repeated with a similar subject or in a similar context (Krefting, 1991). It should be noted that the significance of dependability in a qualitative research is not generally accepted (Glaser Barney, 1992; Gray, 2014); however, as Gray (2014) stated, still there is the possibility to enhance dependability via triangulation, for example, from multiple sources or by multiple data gathering techniques. As stated in the above section, this study used multiple data sources to gather information, which may improve dependability.

Confirmability of the study

Confirmability refers to the extent the research procedures and findings are free from biases (Krefting, 1991; McGloin, 2008). Generally, this is not accepted by researchers in interpretivist research (Payne & Payne, 2004); however, this study used triangulation to ensure the confirmability of the study (Krefting, 1991). As stated in the above credibility section, this study used multiple data sources to collect the data, which enhances the confirmability (Krefting, 1991).

Though the researcher could follow some strategies to ensure the credibility, dependability and confirmability of the study, they could not ensure the achievement of transferability of findings to a greater extent. This is specially due to the limited number of units of analysis in this study (Yin, 2009); the use of a single case with a limited unit of analysis does not represent the population (Yin, 2009). However, the researcher will attempt to provide thick descriptions of the research context for the reader to evaluate whether the findings are transferable (Krefting (1991).

3.8 Summary

This chapter presents the research paradigm and research methods adopted by the researcher in conducting this study. The study adopted the interpretivist paradigm (qualitative method) based on the philosophical orientation which is the subjective ontological position and subjective position

with regard to the epistemological assumption. Apart from the philosophical orientation, the absence of an explicit theoretical framework was postulated and empirical evidence revealed to clarify that the measuring, managing and reporting on HCI in the banking sector were also highlighted as the influential factors in deciding the methodological choice as the interpretivist/qualitative. Among five qualitative strategies, biography, ethnography, phenomenology, grounded theory and case study, this study chose the case study method due to its appropriateness to the phenomena investigated in this study.

This chapter also outlined the procedure that would be applied to data collection, including designing the interview schedule, determining the sampling process, locating sites and identifying potential respondent individuals, gaining access to interviewees, conducting interviews, and identifying relevant secondary sources and collecting data from them. It also detailed how the data would be analysed, containing creating text to work on, coding data, developing categories and themes, and developing a framework. The trustworthiness of the above process is assured through various possible strategies such as prolonging engagement with the phenomena within the context, triangulation and member checking.

Chapter 4

Demonstration of the data analysis process

A qualitative research is an intricate fabric composed of minute threads, many colours, different textures, and various blends of material. The fabric is not explained easily or simply (Creswell, 1997, p. 13)

4.1 Introduction

Having described the method employed in this current research in the previous chapter, this chapter demonstrates the process that is followed for data analysis. In doing so, this chapter provides the basis for a comprehensive understanding of HC and measuring, managing and reporting on HCI in the banking sectors in two countries, Sri Lanka and New Zealand. This section first details the gathering of data for analysis, and then the process of data analysis.

4.2 Data for analysis

As detailed in Section 3.5.3 above, 34 banks in Sri Lanka and 21 banks in New Zealand were invited to participate for this study. In Sri Lanka, first formal letters of introduction was sent, to which six banks replied, but only three agreed to participate in the interviews. After additional follow-up emails were sent to the banks, followed by telephone calls, another eight banks responded; however, only another three banks agreed to take part (Refer to Figure 4-1 below for a summary of the contact efforts).

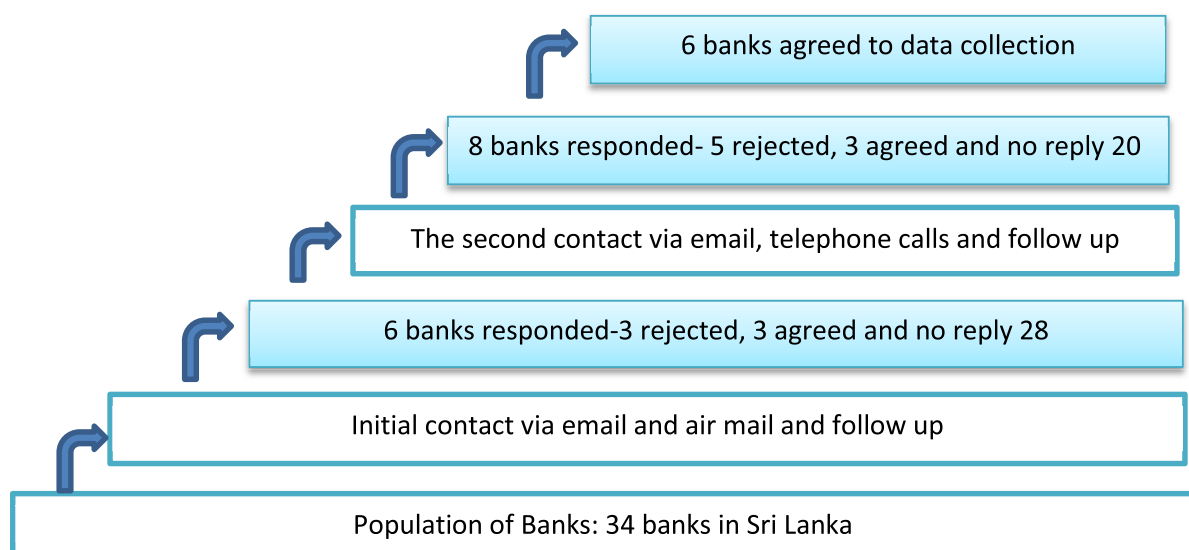


Figure 4-1: Sample selection process in Sri Lanka

After gaining access to Sri Lankan banks, initially, instead launching directly into interviews, the researcher had requested an introductory meeting with each bank (Refer to Section 3.5.4 above). In response to this request, some managers had given an appointment time for meetings, and some requested that they be contacted by telephone. The purpose of these introductory meetings was to explain the research purpose and discuss the possibilities of meeting with the personnel responsible for each practice of the three HC practices that are the focus of this study, and to fix future dates for interviews. Of the six banks, four assisted by contacting the personnel responsible for the phenomena of interest. Accordingly, the researcher fixed interviews with the appropriate managers, including the human resource manager in each bank. Finally, the researcher fixed appointment times for 21 interviews (Refer to Table 4-1 below).

Specifically, in the introductory meetings with Sri Lankan banks, the majority of respondents raised two concerns: communication policy and anonymity. Giving information to outsiders, especially highly sensitive employee information, was a substantial concern for all the banks contacted in Sri Lanka. Because of their communication policies, the majority of banks rejected participation in the research. All of the banks that did agree to participate also did not give permission to record the interviews. Instead of recording the interviews therefore, the researcher relied on detailed notes taken at each of the interviews. Further, the researcher guaranteed the anonymity of the interviewees and the banks.

Utilising the same procedure as in Sri Lanka (and as displayed in Figure 4-2 below), the entire population of 21 banks in New Zealand (Refer to Table 2-3 above) were targeted for data collection (Of these 25, four banks were not treated as separate because they were subsidiaries of larger concerns). In response to the web inquiries for the suggestion of a relevant employee with whom to communicate, of the 21 banks, only three replied. Out of the three responding banks, two rejected the request, with only one bank forwarding the web inquiry to the organisational development manager of that particular bank. After communicating directly with her, the bank finally agreed to participate in an interview. The next attempt was to contact the banks sending formal letters of introduction, with a request for an appointment. After an additional follow-up email was sent to the banks, another three banks responded to this effort, but only one bank agreed to participate in the interviews. The bank agreeing to participate in the interview forwarded the researcher's request to the Manager of Human Resource Services, People & Communications of the particular bank.

Because of the small number of initial positive responses (only two banks agreed so far), the researcher then attempted contact the banks via the highest ranking position of the bank, for example the Chief Executive Officer (CEO). The researcher sent an email to the chief executive

officers (CEO) in those banks that did not respond. From this, five banks replied and two of these agreed to participate. The Head of People Strategy and Organisational Development, Talent & Development, People & Operations of a bank and the Human Resource Analyst of another bank responded to the researcher after the CEOs had forwarded the request to them. Finally, only four banks agreed to participate in the study. The sample size in New Zealand is therefore small. However, of the four banks, three operate internationally and are recognised as the largest banks in New Zealand (RBNZ, n.b.). (N.B., because anonymity was guaranteed, participants are not identified.)

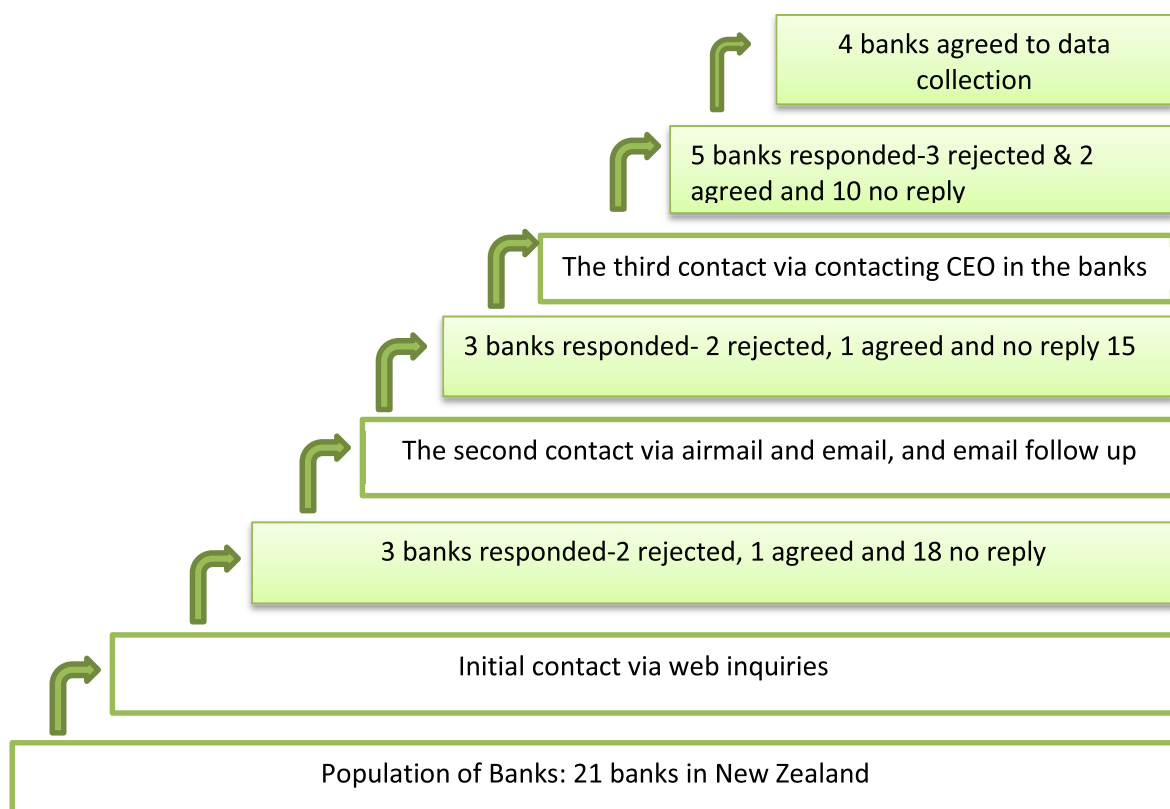


Figure 4-2: Sample selection process in New Zealand

As in Sri Lanka, the researcher had requested an introductory meeting with each bank in New Zealand. In response to the request, all four managers had given an appointment time for introductory meetings, however, they requested that they be contacted by telephone. In the introductory discussion, the researcher clarified the purpose of the introductory meetings as explaining the research purpose, discussing the possibilities of meeting with personnel responsible for three human capital practices; measuring, managing and reporting, and to fix upcoming dates for interviews. In this regard, permission was not received from any bank to interview more than a single manager nor to contact managers at bank branches. After guaranteeing the anonymity of the interviewees and the banks, the researcher could fix an interview with each bank. None of the four

banks would agree to face-to-face interviews and in each case specified a telephone interview.

Finally, the researcher fixed appointment times for four interviews.

Finally, there were in total twenty-five case interviews; twenty-one from Sri Lanka and four from New Zealand. Brief profiles of the interviewees of all banks in Sri Lanka and New Zealand are given in Table 4-1 below.

Table 4-1: Profiles of the interviewees

Bank*	Interviewees	Position	Interview method	Duration of interview
Sri Lanka				
A	A1	Senior Manager Human Resource	Face-to-face	30th October 2013 4.30-6.00 p.m.
	A2	Branch Manager	Face-to-face	1 st November 2013 4.00-5.15 p.m.
	A3	Chief Financial Officer	Face-to-face	6 th November 2013 10.00-11.00 a.m.
	A4	Manager-Communication	Face-to-face	7 th November 2013 3.30-4.30 p.m.
B	B1	Senior Manager Human Resource	Face-to-face (recorded)	28th October 2013 9.30-11.00 a.m.
	B2	Chief Management Accountant	Face-to-face (recorded)	29 th October 2013 11.00-12.00 noon
	B3	Executive-Communication	Face-to-face (recorded)	8 th November 2013 10.00-11.00 a.m.
	B4	Manager Training and Development	Face-to-face (recorded)	21 st November 2013 9.00-10.00 a.m.
	B5	Branch Manager	Face-to-face (recorded)	27 th November 2013 3.30-4.30
C	C1	Senior Manager Human Resource	Face-to-face	14th November 2013 10.00-11.15 a.m.
	C2	Executive - Human Resource	Face-to-face	15 th November 2013 1.00-2.00 p.m.
	C3	Assistant Manager Human Resource	Face-to-face	18th November 2013 9.00-10.00 a.m.
	C4	Chief Manager-Reporting	Face-to-face	19th November 2013 11:00-12:00
	C5	Manager Training and Development	Face-to-face	22 nd November 2013 11.30-12.15 noon
D	D1	Chief Financial Officer	Face-to-face (recorded)	31 st October 2013 3.00-4.00 p.m.

	D2	Assistant General Manager Human Resources Manager	Face-to-face (recorded)	4 th November 2013 10.30-11.30 a.m.
	D3	Manager- Compliances	Face-to-face (recorded)	5 th November 2013 3.30-4.30 p.m.
	D4	Area Branch Manager	Face-to-face (recorded)	12 th November 2013 4.30-5.30 p.m.
	D5	Executive- Human Resource	Face-to-face (recorded)	25 th November 2013 2.00-2.45 p.m.
E	E1	Human Resource Manger	Telephone (recorded)	17 th January 2014 10.30-11.30 p. m ⁵
F	F1	Human Resource Manager	Telephone (recorded)	22 nd January 2014 9.30-10.30 p.m ¹
New Zealand				
G	G1	Organisational Development Manager	Telephone (recorded)	24th September 2013 10.00-11.00 a.m.
H	H1	Head of People Strategy and Organisational Development, Talent & Development, People & Operations	Telephone (recorded)	30th January 2014 11:00 -11:22
J	J1	Human Resource Analyst	Telephone (recorded)	19th December 2008 15:30-15:53
K	K1	Manager Human Resource Services, People & Communications	Telephone (recorded)	19th December 2008 15:30-15:53

Bank*- Anonymity of banks and respondents was guaranteed and banks and participants are not identified. Banks were named with alphabet A-K and respondent identified with numbers; for example the first respondent of bank A is named as A1.

After identifying and confirming the interviews with the respondents, the next step was to collect the data via conducting interviews and gathering secondary information.

In the case of data collection from primary sources, the researcher let interviewees to decide the time, location and the method (whether it is one on one or telephone) of the interview according to their convenience and preference. Accordingly, among the 21 respondents in Sri Lanka, 19 agreed to one-on-one interviews, and two were by telephone. The location of all one-on-one interviews were

⁵ New Zealand Standard Time

the banks where the interviewees were employed. In terms of banks in New Zealand, all interviewees chose the telephone interview method. Altogether, 12 interviews in Sri Lanka and four interviews in New Zealand were audio recorded with the permission of the banks' higher authorities. Regardless of the permission for recording interviews, notes have been taken for each interview. Especially, as mentioned above, two bank in Sri Lanka did not allow the recording of interviews, thus, taking down notes was the only source for data analysis.

All the questions raised in the interviews are semi-structured and expected to gain depth information from the participants. When conducting the interviews, the researcher attempted to maintain flexibility because it provides a greater possibility of altering the questions in order to construct the experience of the participant and to explore their meanings (Seidman, 1998). In addition, probing questions and follow-up questions were also raised during the interviews. These probing and follow-up questions helped the researcher to dig deeper responses from the interviewees (Rubin & Rubin, 2005). As Rubin and Rubin commented, "follow-up questions are crucial for obtaining depth and detail, and can help in obtaining more nuanced answers" (2005, p. 136). The interviewees occasionally had some difficulty in understanding some of the main questions. In such circumstances, these follow-up questions helped in carrying out the interview successfully. For example, as stated above, the researcher asked "Why does your bank measure human capital?" and in most cases the respondents did not understand the meaning of the term measuring. Here the researcher provided a follow-up question: "For example, your bank measures the cost of training and development; why does your bank need this information?" This follow-up question helped to both clarify as well as explore new ideas from the interviewees. When these situations occurred, the researcher made note of the clarification and used these follow-up questions in subsequent interviews. When interviewees' answers were short and/or incomplete, the researcher again relied on additional questions to gain fuller, more detailed explanations from interviewees. For example after being asked: "Why does your bank report human capital?" some interviewees provided brief, insufficient answers. (One respondent simply said it was because of compliance requirements.) The researcher then asked the respondent a probing question "Please explain how compliance requirements influence reporting;" Such probes encouraged interviewees to provide a broader range of background information about compliance requirements.

Initially, each interview was expected to last for a maximum of one hour. However, this duration varied from one interview to another. Some interviews took less time and some exceeded the average time. When the interview was exceeding the expected time of one hour, the researcher proposed another time and date, but the interviewees wanted to carry on regardless of the time.

The process followed for data collection through interviews seems to be effective, in that a substantial amount of information was gathered.

Other than the primary data from the semi structured interviews, this study used the secondary data from other different sources. Section 3.5.5 above described the reasons for using other sources, one of which was to use an additional source of information if the response rate is very low. Of 21 banks in New Zealand, only 4 banks agreed to participate for the interview and more importantly, the researcher received permission to interview one respondent only. This may not be sufficient to explore all relevant information. Thus, both published and unpublished sources such as annual reports, media publications, website publications, and case studies were used to gather secondary data.

After data collection, all data would be sorted, first, based on the name of the bank, and then, the type of data source. For example, within a main folder, different sub folders were opened for data collected from each source (interviews, annual reports, case studies, websites and media). All these sorted files would be then stored safely both manually and digitally. Specifically, all recorded interviews and soft copies of secondary sources were stored in the personnel computer and the external hard drive with the back-ups files. All other hard copies of secondary sources and the signed consent forms were stored in a safe place. No other person had access to stored information other than the researcher. After sorting and storing the collected data, the next step was to pay attention to the data analysis process.

4.3 Data analysis process

As stated in 3.6 above, data analysis in a qualitative study is an cyclical process of moving backwards and forwards between data and themes and between descriptions and interpretations (Merriam, 1998). The data analysis of this study was carried out with the purpose of reducing a large amount of data gathered to build up a story about the HC through discovering themes (Miles & Huberman, 1994). Finally, these themes and the way the researcher defines the themes help to answer the research questions of this study. This study used Carney's "Ladder of Abstraction" (Miles & Huberman, 1994, p. 91) to describe the analysis process; that is, creating text to work on, coding categories on it, identifying themes and trends, and then testing hunches and findings to first outline the "deep structures" and then to combine the data into an exploratory framework (Miles & Huberman, 1994, p. 91).

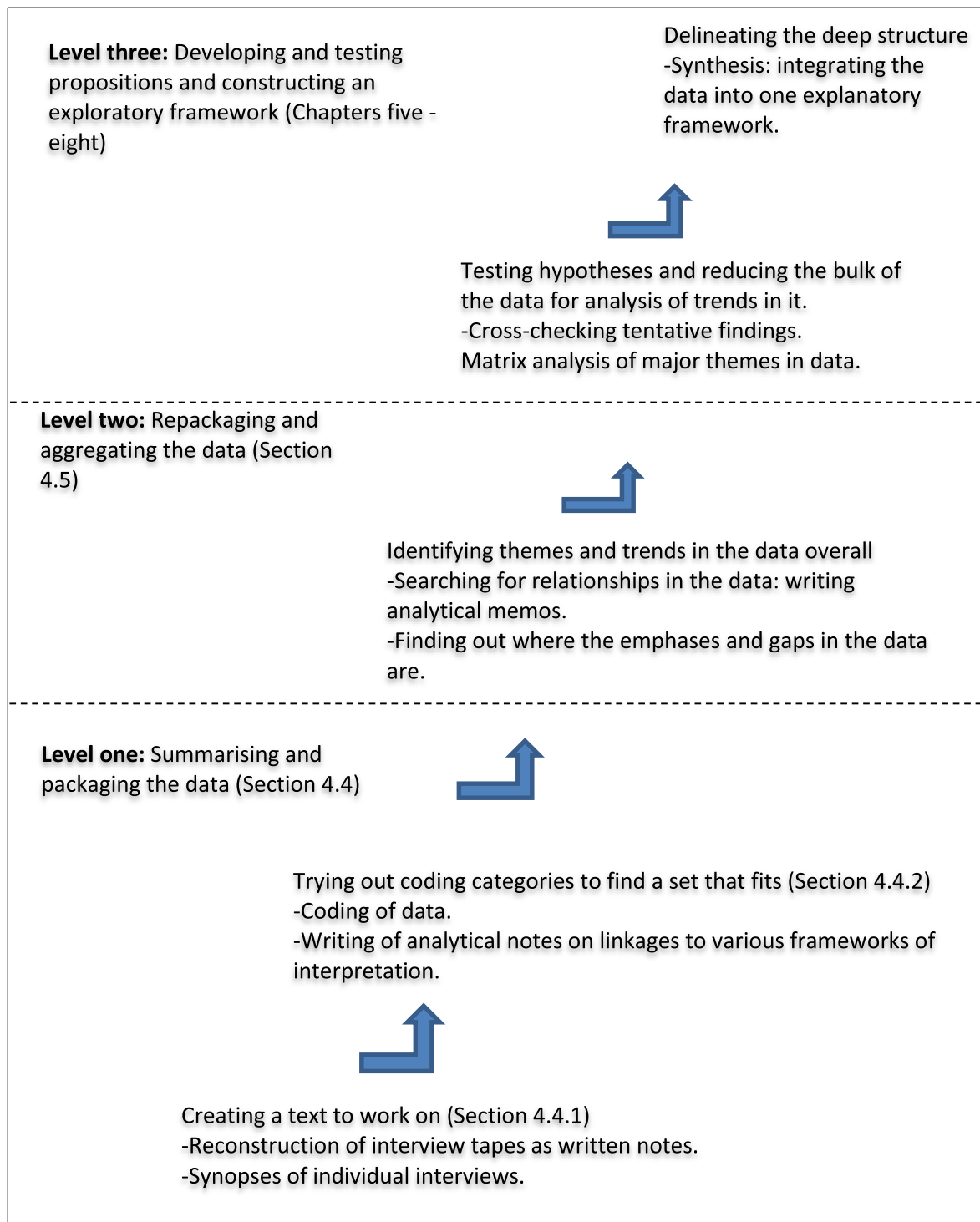


Figure 4-3: Ladder of Abstraction

4.4 Level one: summarising and packaging the data

4.4.1 Creating text to work on/transcribing

As stated in Section 4.2 above, this study collected data from twenty-five semi structured interviews, and secondary sources including annual reports, website publications, media releases, and two case studies. Other than the audio recorded interviews, all other data sources generated text, therefore, the researcher transcribed all the audio recorded interviews to text using verbatim transcription.

Among the twenty five interviews, twenty one were conducted in Sri Lanka; however, all the interviews were conducted in English and the use of English in the interview process in both countries made the verbatim transcribing process relatively easy. In particular, in Sri Lanka, the private sector organisations use English as the business language, hence, translating interview transcriptions from one language to another was not required. Owing to the ethical obligation of the researcher to protect the confidentiality of informants, the researcher removed all the names (banks and interviewees) from the transcription. Then, each transcription was given a code and a number (e.g. A1), which facilitated the identification of the bank and the interviewee. After creating text to work on, the researcher then moved to the coding process.

4.4.2 Coding text

Development of descriptive codes

The development of descriptive codes was based on the responses from banks rather than using the themes used in previous research. For this purpose, this research used NVivo, the computer assisted software for qualitative data analysis. Data analysis of the study began with reviewing all text line by line, and then code/labels were assigned to the words, sentences and paragraphs in the texts.

Further, on occasions, a similar set of text was assigned to more than one code (multiple coding).

Some codes were developed based on the relative significance; however, these codes may not represent the majority of respondents' views. In contrast, some codes appeared as general views because they represented many respondents' views, hence, after completing the initial coding, the researcher identified the words and their frequencies in each code. For this, the researcher used the query option in NVivo, which resulted in a list of words and their frequencies in an ascending order. Having started from the words with the highest frequency, the researcher went through the context of each and every word to make sure that no significant views were ignored when coding.

The above descriptive codes development process is crucial in data analysis in a qualitative study, as the next stages of data analysis; the development of categories, identification of patterns and

themes, exploration of deep structures and development of frameworks are based on the development of descriptive codes (Creswell, 1997; Miles & Huberman, 1994). Hence, obviously, the development of descriptive codes has to be done with extra care.

The following text is an example of how the researcher analysed the case interview during the development of descriptive coding. The following paragraph is extracted from the interview of Bank A in Sri Lanka in response to the research question- What is human capital?

*As I said academic qualification is a requirement only. We prefer to recruit people with good values (**values**) rather than higher level of education qualifications (**more than secondary school qualifications**). One reason is fresh trainees just after the school (**employees with entering/basic qualification**), is easy to train. Their mind is fresh and ready to adjust to any environment (**Adaptability**). The other thing is educated (**more than secondary school qualifications**) and well trained people have high level of expectations which cannot fulfil (Respondent A1)*

As explained above, this study went through each text line by line, and key phrases, and ideas were highlighted and coded and assigned a label or names. Based on the above responses, it was clear that Bank A preferred to recruit trainees with basic qualifications, or in other words, secondary school qualifications rather than those educated specifically in banking. Thus, this passage was coded as basic level qualification. In addition, Respondent A1 stated that they were keen to hire people who can adapt to any environment and with values that reflected the bank's organisational values. Thus, another two codes were labelled as values and adaptability (Table 4-2 below).

Table 4-2: An example of the development of descriptive codes in Sri Lanka

Code number	Code name
DWHCSL2	Adaptability/Flexibility
DWHCSL33	Values
DWHCSL60	Basic qualification/knowledge

*D= Descriptive code, W=What, HC=human capital, SL= Sri Lanka

Similarly to the above, more examples are shown in Table 4-3 below.

Table 4-3: Development of descriptive codes in Sri Lanka

Code number	Code name	Quotations
Human capital		
DWHCSL1	Achieve business	Things such as recruitment, training and development, are all run by these competencies. Some are business achievement, customer service,...(Respondent C5)
DWHCSL2	Adaptability/ Flexibility	All employees are transferable from one section to other. The skill of working anywhere in the bank is a must (Respondent B5)
DWHCSL3	Loyalty	Newly recruited managers, they didn't have that type of loyalty towards the organisation. (Respondent D4)
Measure		
DWMSL1	Retention rate	The retention rate is high at 96%... (Annual Report, Bank A, p.214)
DWMSL2	Total employees	The results presented, in this Annual Report, bears testimony to the hard work of a team of 3,455 people united with a common goal ... (Annual report Bank A, p. 25)
DWMSL3	Attrition	Total Number of Staff Attrition out of New Recruits by Age Group, Gender and Region (Annual Report, Bank B, p. 103)
Manage		
DWMgSL1	Birth certificate	When recruiting employees we must get additional information like ..., birth certificate, ... (Respondent E1)
DWMgSL2	Referee reports	Other than that we need two referee letters from two credible people in the society (Respondent A1)
DWMgSL3	Character	Of course in terms of school leaver recruitment we ask for a character certificate and reference details. (Respondent C1)
Report		
DWRSL1	Unionisation and Collective Bargaining	Corporate Management conducts monthly meetings with them to address matters of mutual interest going beyond the collective bargaining mechanism. (Annual Report, Bank A, p. 216)
DWRSL2	Innovations	Implementing a number of employee suggestions relating to sales and service enhancement as part of an interactive feedback process. (Annual Reports, Bank B, p.113)
DWRSL3	Engagement mechanism	Engaging Employees- In addition to the primary engagement mechanisms described in Stakeholder Management on page 214. (Annual Report, Bank A, p. 215)
Significance of Human Capital		
DWyHCSL1	Attract, maintain and improve customer base	We all compete to attract the existing customer base. If one bank gets business it means another bank loses its customer base. The market is stable. For this, skilled employees are must. (Respondent D2)
DWyHCSL2	Embrace emerging requirements and adapt to challenges	Bank's HR strategies in line with the banks' fully integrated business model but also highlights the banks' ability to embrace emerging requirements and adapt to challenges amidst changing business paradigms. (Website, Bank C)
DWyHCSL3	To achieve sustainable success	Employees do matters for the success. (Respondent A1)

Significance of Measuring		
DWyMSL1	Promotion	For promotion, these particular training hours will be taken as a tool. (Respondent B4)
DWyMSL2	Make decisions	If you don't measure I don't think we can use information for decision making. (Respondent A1)
DWyMSL3	Resourcing	We need the right people. If we measure we can identify. Then we know where to start. How we should train that person. (Respondent A1)
Significance of Managing		
DWMgSL1	Safeguard information	Employee information is sensitive. I don't think anyone wants to see our own information available to everyone in the organisation. So, we have to do everything that protects the confidentiality of the information. (Respondent A1)
DWMgSL2	Branch expansions	In the H/O level also there are some instances where they refer to our employee information. Let say there are some expansions going on in the branch. Then the planning department first goes through the HRIS and sees how many employees currently exist and how many are needed in the future. (Respondent B5)
DWMgSL3	Reduce the demotivation of employees	A piece of employee information should not be disclosed to other employees. Probably one can get motivated but we feel the other person will get demotivated. (Respondent E1)
Significance of Reporting		
DWyRSL1	Communicate with stakeholders	...as an organisation we have more groups to focus other than regulatory bodies. Customers, public, competitors are some of them. All these parties have different requirements. So, it is our responsibility is to provide what information they need. (Respondent A1)
DWyRSL2	Align with the industry practice	Apart from that we do report certain information by looking at market practice. That mean we do report some information because our competitors do so. (Respondent A1)
DWyRSL3	Accountability	We also believe that we have a responsibility to stakeholders, society and the environment in which we operate. Understanding and being responsive to the needs of our stakeholders are key to our overall strategy. It is about stewardship of the resources. (Respondent A3)

*D= Descriptive code, W=What, Wy= Why, HC=human capital, M= Measure, Mg= Manage, R=Report, SL=Sri Lanka

Likewise, this study developed 293 descriptive codes in Sri Lanka. Of them, 100 were related to human capital, 70 to measuring, 54 to managing and 69 to reporting (Refer to Appendix A).

Similarly, the data collected from New Zealand banks also helped in constructing a huge number of descriptive codes. The following example provides an indication of how this study developed descriptive codes in the context of New Zealand. The following quotation was given by Respondent K1 in response to the research question, what is human capital?

*Further, we encourage them to engage with the social activities (**employee engagement with society (a stakeholder)**). Sometimes it may bring more business to our bank for example. Some of the areas of the bank; yes, it's a real core piece and how to do business, such as hosting and sponsoring social events so they can network. (Respondent K1)*

The line by line review of the above quotation showed that Bank K wanted their employees to be involved with community related activities because it had an impact of bringing more business to the bank. Thus, banks appeared to believe that employees should be able to build a relationship with the community and engage with them. This insight directed the researcher to develop a code -Ability to build and maintain effective relationships with key stakeholders (Refer to Table 4-4 below).

Table 4-4: An example of the development of descriptive codes in New Zealand

Code number	Code name
DWHCNZ 5	Ability to build and maintain effective relationships with key stakeholders

*D= Descriptive code, W=What, HC=human capital, NZ=New Zealand

Similarly to the above, more examples for the development of descriptive codes in New Zealand are presented in Table 4-5 below.

Table 4-5: Development of descriptive codes in New Zealand

Code number	Code name	Quotations
What- Human capital		
DWHCNZ1	Adhere to compliances	We are governed by quite a bit of legislation around what we can and cannot do; so we are looking for all of our employers to adhere to that. (Respondent H1)
DWHCNZ2	Attention to detail skill	You will also require high levels of accuracy and attention to detail skill, ... (Website, Bank J)
DWHCNZ3	Delight customers	Supporting our customer focused strategy is a strong set of company-wide values, which are embedded in our culture. These are: delighting customers; ... (Annual Report, Bank G, p. 8)
What- Measuring		
DWMNZ1	Advocacy	Employee Advocacy 4 points above the Global High Performing norm, exceeding target. (Annual Report, Bank G, p. 65)
DWMNZ2	Employee breakdown by employment type	Total full and part time employees (Website, Bank H)
DWMNZ3	Employee breakdown by region	Total number of employee by gender, age and region ... (Respondent H)
What- Managing		
DWMgNZ1	Skills	Competencies are measurable characteristics of a person that are related to their success at work. They may be behavioural skills,

		technical skills, attributes (such as action oriented). (Website, Bank H)
DWMgNZ2	Attitudes	The results of employee attitude surveys show how employees think about variety of issues. This is important in different ways. We have properly maintained records in our HRIS. (Respondent J1)
DWMgNZ3	Compliance requirements	I guess we have a number of different roles and because we are in the finance industry, there are regulatory requirements. So, from a basic point of view, we do have lot of checks in place to make sure the employee hadn't any fraudulent activities. (Respondent G1)
What- Reporting		
DWRNZ1	Employee advocacy	Employee Advocacy 4 points above the Global High Performing norm, exceeding target. (Annual report, Bank G, p. 65)
DWRNZ2	Age profile	Age profile at 31 December 2013 ...(Case study, Bank J)
DWRNZ3	Attitude	Creating a workforce that reflects the attitudes and needs of the communities in which we operate is a priority for us. (Annual Report, Bank G, p. 5)
Why Human Capital		
DWyHCNZ1	Achieve competency levels	Because, for efficiency, if we are planning to achieve the competency and planning to go for the global market and if we want to benchmark, especially globally, then we have to know what we have. What kind of people we have and what are their skills and what values do they bring to the company. (Respondent K1)
DWyHCNZ2	Interact with stakeholders	Living our values every day is integral to achieving our vision. They reflect what is great about (Name of the bank) and how we work together - both in our interactions with each other as well as with our customers, communities and other stakeholders. (Website, Bank H)
DWyHCNZ3	Fulfil the responsibility for delivering banks' commitments	Our employees also have a responsibility for delivering on our commitments. We feel it's the people dealing with issues on a day to day basis who are best positioned to understand the risks and develop innovative solutions. (Website, Bank G)
Why- Measuring		
DWyMNZ1	Identify risk areas	If we have significantly high turnover in one part of our business there is a cost associated with that so we need to understand that. (Respondent H1)
DWyMNZ2	Decide the level of learning development given to employees	We also look at the training component. We make sure that all our employees complete mandatory compliance of set training. This stage, we calculate and see the completion rate of training. We trying keep the completion rate the highest possible especially for the mandatory compliance training module. (Respondent G1)
DWyMNZ3	Understand learning potential	We might have different questions focussed around the sort of the attitude of the individuals; do they demonstrate initiative or have they demonstrated initiative in the past? ... (Respondent H1)

Why- Managing		
DWMgNZ1	Career development	We use all collected information for individual and organisational development. (Respondent H1)
DWMgNZ2	Compare and track employee	This information is stored in our performance review document and tracked in terms of another performance review next year and to ask whether they actually completed those things that they wanted to do. (Respondent G1)
DWMgNZ3	Provide updated information	The data is updated automatically in the people portal, so it gets extracted from our core HR system on a nightly basis and it gets plumbed into our data. (Respondent J1)
Why-Reporting		
DWYrNZ1	To interact with stakeholders	We maintain a level of disclosure that seeks to provide all investors with equal, timely, balanced and meaningful information. (Annual Report, Bank G, p. 35)
DWYrNZ2	Accountability	We are a privately held company with private shareholders so we will provide whatever we need to in terms of registered or obligations...I suppose, by law, our responsibility and accountability is to our shareholders first and foremost. (Respondent J1)
DWYrNZ3	Adhere to accounting standards	Employee Benefits (IAS 19)-The amounts expected to be paid in respect of employee's entitlements to annual leave are accrued at expected salary rates. (Annual report, Bank K, p. 19)

*D= Descriptive code, W=What, Wy= Why, HC=human capital, M= Measure, Mg= Manage, R=Report, NZ=New Zealand

The above process of the development of descriptive codes in New Zealand resulted in 256 descriptive codes, of which 103 were human capital, 52 were measuring, 37 managing and 64 reporting (Refer to Appendix B). According to the above details, it is clear that this study constructed a vast amount of descriptive codes (549 totally from both countries). The next stage of data analysis is to reduce these large amounts of descriptive codes via repackaging and aggregating the data.

4.5 Level two: repackaging and aggregating the data

After developing descriptive codes, the next stage of data analysis is to construct categories and themes. At this stage, the long list of descriptive codes; 293 Sri Lanka and 256 New Zealand, were reduced to categories and themes based on their similarities, and the way the respondents interpret them (Saldana, 2008). Section 4.5.1 below shows how categories were developed through grouping descriptive codes, and then demonstrates the development of themes through identifying patterns.

4.5.1 Developing categories

As in Section 3.6.2 above, the procedure that followed constructing categories is explained below. First, one example from each country is given, and then further examples are shown in a table referring to what and why HC is measured, managed and reported.

Examples for developing categories in Sri Lanka

Example 1- In terms of what is human capital in Sri Lanka this study developed seven descriptive codes; (1) experience, (2) job specific experience, (3) firm specific experience, (4) customer experience, (5) experience through engaging extra portfolios, (6) experience about management, and (7) operational experience. All seven codes appeared to be similar by nature because they emphasise different types of experiences, thus, all seven descriptive codes were grouped into a category and named experience (Refer to Table 4-6 below).

Table 4-6: Example 1 for identifying categories in Sri Lanka

Category number	Category name	Codes combined	Number of descriptive codes combined
CWHCSL6*	Experience	Experience	DWHCSL23
		Job specific Experience	DWHCSL24
		Firm specific experience	DWHCSL25
		Customer experience	DWHCSL26
		Experience through engaging extra portfolios	DWHCSL27
		Experience about management	DWHCSL28
		Operational Experience	DWHCSL29

*C= Category, W=What, HC=human capital, SL=Sri Lanka

Similarly, the following examples also show how the descriptive codes were grouped in order to construct categories in Sri Lanka (Refer to Table 4-7 below).

Table 4-7: Example 2 for identifying categories in Sri Lanka

Category number	Category name	Basis of constructing the category	Number of descriptive codes combined
Measure			
CWMSL1	Employee resourcing	We recruited 368 new team members in 2012 out of which 233 were to fill new positions during the year. Our talent pool has grown by 6.97% (Annual Report, Bank A, p. 214)	DWMSL4, 12, 25
Manage			
CWMgSL6	Training and development	The respective manager has to observe and keep records about the behaviour of an employee before training. (Respondent A1)	DWMgSL17, 18, 19
Report			
CWRSL1	Engagement information	Stakeholder engagement mechanism: Staff meetings, one to one meeting with trade unions...(Annual report, Bank E, p. 65)	DWRSL1, 3
Significance of Human Capital			
CWyHCSL10	Assure the banks' survival	The branch operation is dependent on the way the top people manage it. So leaders should be strong and the best. (Respondent D4)	DWyHCSL27, 28
Significance of Measuring			
CWMSL3	Get remedial actions through Identifying alarming situations	See, the turnover ratio for the permanent staff in 2011 is 12.9%. It is above the standard rate of 12%. If the T/O ratio is considerably high that means we are in trouble. So we have to get remedial action for it as soon as possible. (Respondent C3)	DWyMSL8, 9
Significance of Managing			
CWyMgSL1	Distribution of information in a confidence way	We make sure of the distribution of timely and accurate information to relevant authorities in a confidence manner. (Respondent D2)	DWyMgSL8, 15
Significance of Reporting			
CWyRSL6	Achieve advantages over competitors	Through publishing information about our top layer, we expect our stakeholders to say This kind of information gives us competitive advantage as well. (Respondent A4)	DWyRSL2, 12

*C= Category, W=What, Wy= Why, HC=human capital, M= Measure, Mg= Manage, R=Report, SL=Sri Lanka

The complete schedule of the categories is given in Appendixes A. This stage of data analysis in Sri Lanka helped to reduced 293 descriptive codes to 90 categories.

Examples of developing categories in New Zealand

Example 1- From the interviews, ten descriptive codes were developed namely; (1) Knowledge about the area, (2) Knowledge about the industry, (3) Knowledge about the bank, (4) Knowledge from learning - Education qualifications, (5) Knowledge about health, (6) Knowledge about policies and procedure, (7) Knowledge about role, (8) Knowledge about security practices, (9) Knowledge about the risk, and (10) Knowledge about regulations. All the descriptive codes referred to a similar theme; different types of knowledge that should be acquired by employees and thus grouped into the category of knowledge (Refer to Table 4-8 below).

Table 4-8: Example 1 for identifying categories in New Zealand

Category number	Category name	Codes combined	Number of descriptive codes combined
CWHCNZ8*	Knowledge	Knowledge about the area	DWHCNZ 50
		Knowledge about the industry	DWHCNZ 51
			DWHCNZ 52
		Knowledge about the bank	DWHCNZ 53
		Knowledge from learning /educational	DWHCNZ 54
		Knowledge about health	DWHCNZ 55
		Knowledge about policies and procedure	DWHCNZ 56
		Knowledge about role	DWHCNZ 57
		Knowledge about security practices	DWHCNZ 58
		Knowledge about the risk	DWHCNZ 59
		Knowledge about regulations.	

*C= Category, W=What, HC=human capital, NZ=New Zealand

Also, the following examples show how the descriptive codes were grouped into categories in New Zealand (Refer to Table 4-9 below).

Table 4-9: Example 2 for identifying categories in New Zealand

Category number	Category name	Basis of category	Number of descriptive codes combined
Measure			
CWMNZ11	Knowledge	In terms of knowledge, we have a measure called new starter retention and high performer retention. (Respondent G1)	DWMNZ24, 25
Manage			
CWMgNZ2	Engagement information	Every year, we also carry out a formal materiality review to identify the CR issues of greatest significance to our stakeholders and our business. (Respondent J1)	DWMgNZ4, 5
Report			
CWRNZ6	Employee benefits	These plans are designed to provide market competitive remuneration for the relevant employees. (Respondent G1)	DWRNZ10, 29, 45, 38
Significance of Human Capital			
CWyHCSL1	To enhance performance	We believe our strategic focus on leadership in innovation positions us well to achieve sustainable revenue growth. (Media, Bank H)	DWyHCNZ3, 7, 8, 10, 16, 18, 21
Significance of Measuring			
CWyMNZ3	Make employee decisions	At the time of interviews, we try to measure learning potential. This helps to make correct recruitment decisions. (Respondent, H1)	DWyMNC2, 3, 4, 7
Significance of Managing			
CWyMgNZ1	Decision making	Information plays a vital role in making decisions about transfers and promotions. (Respondent H1)	DWyMgNZ4, 17
Significance of Reporting			
CWyRNZ3	Aware and attract potential employees	If you are looking to come and work from ...(name of the bank), then you need to understand that these things are important to us and this is how we will support you and your growth and development within the organisation. (Respondent H1)	DWyRNZ4, 5

*C= Category, W=What, Wy= Why, HC=human capital, M= Measure, Mg= Manage, R=Report, NZ=New Zealand

Through the above procedure, this study grouped 256 descriptive codes to 81 categories in New Zealand (Refer to Appendix B).

For some descriptive codes, neither responses nor similarities were found to group into a particular category, and therefore were considered as separate categories. For example, in terms of the meaning of the term HC in Sri Lanka, no respondents mentioned any relationship between attitudes

of employees and other HC attributes. Thus, Attitude was considered as a separate category. Also in New Zealand, with regard to what banks measure about HC, the descriptive code, fit and proper, was considered as a single category of compliances because of the absence of links with other codes.

4.5.2 Developing themes

The process of identifying categories resulted in 171 categories in both countries of Sri Lanka and New Zealand. After developing categories, the next step was to reduce 171 categories further through identifying patterns among categories and then developing higher level abstractions. These patterns were identified mainly based on the views of respondents. This section presents an example, to provide an insight into how the themes were developed through identifying patterns and relationships between categories.

One research question that this study sought to answer was how banks define HC, and in this regard, a wide range of views were expressed. Seventy two descriptive codes were developed from the Sri Lanka data; however, after grouping those descriptive codes, eight categories were developed, namely, values, competencies, diversity, skills, engaged, experience, attitude, and knowledge. Respondents provided insights into how some of these categories link with one another. As respondent C1 stated,

These competencies include all the skills, knowledge, experience and everything that we consider important

The above comment provided intuition about the constituents of competency as skills, knowledge, and experience. A similar view was provided by respondents B4 and C5. Accordingly,

One of our competencies is experienced ... staff with high levels of integrity.
(Respondent B4)

It is two things, one is skills and other is knowledge. I would take both skills and knowledge together to define competencies. (Respondent C5)

Based on the above comments, four categories, competency, skills, knowledge, and experience were grouped into a theme of competency. In addition, respondent B1 highlighted a significant link between two categories, competency and attitudes. For example,

Actually when it comes to competency it is knowledge, skills and attitude.
(Respondent B1)

Accordingly, attitude was also combined with the theme, competency. This means that the term competency was used to represent five categories of competency, skills, knowledge, experience and

attitude. No other patterns were identified between categories. Accordingly, eight categories were reduced to four themes, values, diversity, engaged and competency. This means that human capital for Sri Lankan banks is the combination of four themes, values, diversity, engaged and competency. Similarly to the above, this study developed 44 themes in relation to the Sri Lankan context (Refer to Appendix A).

Also in terms of New Zealand, this study developed 80 descriptive codes and eight categories, values, attitude, abilities, skills, competencies, diversification, experience and knowledge in response to the research question of what is human capital. The eight categories were further reduced based on the Bank H's comments.

... there will be particular competencies that we'd be looking for, particular skills, abilities, particular experience that we would be looking for from the employee. Ideally, hoping that someone would be able to demonstrate, experience or relevance in each of those areas so that when they start the role they are actually performing in a very short space of time. (Respondent H1)

To facilitate your learning and development,... (Name of the bank) has introduced the competency-based framework of... Competencies are measurable characteristics of a person that are related to their success at work. They may be behavioural skills, technical skills, attributes (such as action oriented), or attitudes (such as caring about direct reports). As people are complex, the characteristics that describe their behaviour are many and varied, resulting in a library of 67 competencies. (Website, Bank H)

The first quotation above emphasised that competency constitutes employee skills, abilities and experience. The second quotation adds another attribute, attitude, to this definition. Accordingly, five categories, competency, skills, abilities, experience, and attitudes were combined to develop a theme, competency. Finally, HC was defined using four themes, competency, values, diversity, and knowledge. Following a similar procedure 41 themes were constructed in the context of New Zealand banks (Refer to Appendix B). After developing themes, this study moved to the next stage of data analysis.

4.6 Level three: developing and testing propositions and constructing an exploratory framework

As per Carney's Ladder of Abstraction (Refer to Figure 3-2 above), the third stage of the data analysis procedure is the development of the exploratory framework based on the higher level themes developed as in the above stage. This exploratory framework is the foundation of this study to build a story about human capital in the banking sector in a developing and a developed nation. The

storyline on human capital was mainly built through two phases; (1) human capital and (2) measuring, managing and reporting human capital. The two phases are presented in Chapters five, six, seven, and eight.

4.7 Summary

This chapter has outlined, by example, the data analysis of this study which was based on Carney's Ladder of Abstraction. At first, it demonstrated the different stages of the data analysis, including creating text to work on, or in other words, transcribing of interview data, and coding text to develop descriptive coding. It also highlighted that the nature of the study is exploratory, and therefore, the responses or data that were collected in this research are used as a source for constructing descriptive codes rather than using a pre-defined framework. Also, it was stated that the use of computer assisted software, NVivo, for data analysis purposes in this study was due to the larger amount of text involved. Further, it discussed in detail (with referring examples) how various categories were generated by grouping descriptive codes. Specifically, this study merged and integrated descriptive codes based on their similarities, and the way the respondents interpret them. Further, it explained how the higher level themes were generated by identifying patterns and relationship among categories. The summary of the descriptive codes, categories and themes that were developed through above process is given in Table 4-10 below to show how the data analysis process reduced the substantial amounts of data into higher level abstractions in order to build a comprehensive story about HC.

Table 4-10: Summary of the coding process

Codes	Descriptive in Sri Lanka	Categories in Sri Lanka	Themes in Sri Lanka	Descriptive in New Zealand	Categories in New Zealand	Themes in New Zealand
What HC	72	8	4	80	8	4
Why HC	28	9	5	23	7	4
	100	17	9	103	15	8
What is Measure	50	19	8	34	12	8
Why Measure	20	9	5	18	8	5
	70	28	13	52	20	13
What is Manage	31	13	7	17	12	6
Why Manage	23	6	4	20	8	4
	54	19	11	37	20	10
What is Report	43	19	8	47	18	7
Why Report	26	7	3	17	8	3
	69	26	11	64	26	10
Total	293	90	44	256	81	41

Finally, how the above developed themes lead to building a coherent and interesting story about HC through constructing frameworks on HC and measuring, managing and reporting on HCI is also detailed. The following four chapters aim to interpret the above developed themes by presenting the empirical results of this study. Chapters five and six will discuss HC in a broader perspective, especially, how the banking sectors in Sri Lanka and New Zealand understand the term HC and why they believe the HC is so important. Chapter seven will illustrate what HCI the banks measure, manage and report and Chapter eight presents the reasons for banks to engage in such HC practices.

Chapter 5

Defining human capital

5.1 Introduction

Having described HC and the practices of measuring, managing, and reporting, and explained the process of conducting the current research project, this and the next three chapters present the substantive findings from exploring banking practices for these in Sri Lanka and New Zealand. These four chapters are organised in such a way as to build a comprehensive understanding of the HC and MMR practices in the banks in the two countries. Thus, the findings presented in these chapters are systematically generated from the themes that emerged from the interview data and triangulated with data from secondary sources.

Through presenting and interpreting the findings, this chapter addresses two research questions: “What does the phrase HC mean to banks?”, and part of the question, “How does human capital, measuring, managing, and reporting on HCI in the banking sector in Sri Lanka differ from New Zealand, why might this be so, and to what end?”.

The term HC is defined in different ways in the literature (Refer to Section 2.2.2). However, owing to an absence of uniformity in the meanings of the term, this research faced difficulty in choosing a definition. Owing to the above documented lack of consensus on a definition, the study decided to ask those who make use of the concept to define it. Thus, based on the responses, this research explored two definitions for two contexts and then compared these responses with the OECD definition to determine the differences and similarities between the theoretical definition and the practical definitions provided by the respondents in this research (see Section 2.2.2 above) for the reasons for selecting the OECD definition among other theoretical definitions). The following sections first present the findings on the way the banks in Sri Lanka and New Zealand define the term HC, and then compare how the two countries differ in defining it.

5.2 Sri Lanka

Based on the data collected from 21 interviews and secondary sources of six banks, this study operationally defined the term HC for Sri Lanka as “A cluster of competences, diversity, values and engagement of employees”. These four themes are detailed below.

5.2.1 Competences

Competences are often used in HC definitions in the literature (OECD, 2001, 2011b; Roos et al., 1997; Tovistiga & Tulugurova, 2009). Similarly, respondents in banks in Sri Lanka also provided a variety of responses in terms of competences, including how these were viewed and the importance of these to the businesses specifically. Respondents emphasised that they established a competency framework, outlining the individual competencies required by the particular bank.

We have a clearly defined set of competencies which we feel is important to the organisation. Depending on the job competencies also change. Those competencies are common to the entire bank. We have a competency framework including 13 competencies. (Respondent C1)

The competency framework consists of different HC attributes expected from employees, as commented on below.

Taking initiative is one competency we have. (Respondent A1)

Some common competencies for all the grades which we feel are important are interpreted on the interview scoring sheet. Communication, problem solving, striving for excellence, technical competencies, leadership (Respondent C1)

In addition, Banks B and D noted competences such as business achievement, customer service, communication, inspiration leadership, striving for excellence, taking initiative, decision making and strategic thinking, among others. As noted by respondents, these competences are essential for the successful implementation of employee-related activities such as recruitment, training and development, promotion and performance rewards. For example:

To achieve that financial target, I need to use the competencies or capabilities of my employees. If competencies are not enough to achieve the target we need to take necessary actions such as training them or developing them, sometime we need counselling as well. If the competencies are satisfied then we need to reward. (Respondent B5)

Our company has competencies. All things such as recruitment, training and development, all are run by these competencies. (Respondent C5)

Competencies are required not only to manage employee activities successfully, but also to achieve benefits and performance results for the bank as whole. This is reflected in Bank A's Annual Report and comments by a Bank B Respondent:

Our technical competence provides us with a strategic competitive advantage which, together with the expanded branch network, enables us

to create synergies across our operations and strategic partners, adding value to our stakeholders. (Annual Report, Bank A, p. 82)

We make sure employees can enhance their knowledge, competencies and attitude to create value not for the company only but for themselves too.
(Respondent B4)

Based on the views of Banks A, B and C, all these competences were classified into four elements: skills, knowledge, experience and attitude of employees. The following responses helped the researcher create these four elements for competences.

I would take both skills and knowledge together to define competencies
(Respondent A2)

Actually when it is come to competency it is knowledge, skills and attitude
(Respondent B1)

These competencies include all the skills, knowledge, experience and everything that we consider important (Respondent C1)

Thus, for banks in Sri Lanka, competences mean the “combination of knowledge, skills, experience and attitudes of employees”. This definition supports early studies, in which competences are defined as combinations of knowledge, skills and attitudes (Glajchen & Bookbinder, 2001; Van Loo & Semeijn, 2004). Sveiby (1997b) included “experience” as a component of competences in his definition.

The definition developed in this study for competences leads the researcher to highlight several interesting findings. First, when it comes to word frequencies, “knowledge” was the most often used word during the data collection process (227 counts). The second and the third highest frequencies were "experience" (185 counts) and "skills" (165 counts) respectively. The least used word was "attitudes" (57).

Though the word count of attitudes is lower, those respondents who did use the term emphasised it as highly significant (Gustafsson, Edvardsson, Nickson, Warhurst, & Dutton, 2005; Murthy, 2013). Several of the respondents noted that attitude was something their banks specially focused on and the published records indicated that attitude is treated as a fundamental employee attribute. For example, the website of Bank C reported;

... can do attitude which is in our DNA

It is noted that the banks did not focus on skilled, knowledgeable and experienced potential employees unless they displayed a positive attitude toward the bank and its work. This was evident in the responses of two interviewees when asked about the attitude component.

Whether we recruit a particular person or not is not dependent on the educational qualification or the experience. It is totally dependent on attitude (Respondent A1)

Attitude is another thing we are looking at, because if you don't have a positive attitude towards anything, you can't go further. Attitude is the important thing. Actually, when it is come to competency, it is knowledge, skills and attitude. Out of all these, attitude is the most important because we can give skills and knowledge. We know how to give them. But you need to have positive attitude towards them (Respondent B1)

Similar responses were received from interviews with B4, B5, C1, C4, D2, and F1; thus recognising the importance of attitude compared to the other three attributes. This finding was not supported by previous studies.

Second, in terms of knowledge, respondents strongly emphasised that employees need a wide range of knowledge, not only to fulfil their job requirements, but also for their career advancement. For example, they need to have knowledge about the society they work within, knowledge about risk, awareness of compliance requirements, knowledge about competitors, and about the bank (Refer to Appendix A). Specifically, when recruiting, banks do not necessarily want a candidate to have a higher level educational qualification because they do not consider this to be an essential element of knowledge. It is noted that the banks appear to have a negative view of educated individuals, such as undergraduate and postgraduate degree holders. Related comments include,

What we feel is whatever you learned in terms of theory, you might not be able to put into practice. That is a given. But of course if you can combine these two... then the results are surprising. By having these educated people, their view in terms of looking at things is different, because they have a [broader] base. That means they have the theoretical background but no idea about practice. They might not [be able to] directly apply their theoretical knowledge in practice. (Respondent C1)

We prefer not to recruit university graduates, because their culture is different. It is not [usually a good] match to our culture. More than 90% are spoiled when they pass out [of their degree programmes]. Even if we recruit them, they don't stay here for a long period. (Respondent D4)

Instead of gaining academic qualifications, the banks interviewed require all employees to acquire knowledge about banking practices via completion of either banking exams conducted by the Institute of Bankers in Sri Lanka or internal exams. Respondent B1 expressed it:

Then after recruitment, during employment, employees need to complete the banking exam. It is compulsory and written in our policies. The banking exam is needed in order to get in to the permanent cadre. If somebody is unable to pass the banking exam at the CBF level, we conduct an internal

exam. Employees who successfully complete those internal exams are also considered for absorption {retention in the position}.

However, as bank representatives stated, they do not prevent employees from reading for higher degrees. Banks' views on hiring employees with basic/lower qualifications are contradicted by prior studies' findings that organisations' recruitment decisions and employees over qualifications are positively correlated (Alfes, 2013; Martinez, Lengnick-Hall, & Mukta, 2014).

Third, in terms of three elements (of four elements) of competences; knowledge, experience, and skills, all banks were more concerned with developing them within the bank rather than relying on external means. It appears that the banks are not comfortable with recruiting employees with external qualifications and experienced individuals, preferring to recruit school leavers and then developing them through in house training. For this purpose, almost all banks had different departments or sections tasked with developing employees. Some respondents stated that banks allocate a huge budget for the training and development of employees, though they consider such departments as a non-profit making section. Respondent C1 stated that:

We as an organisation have various [development] schemes. Say for senior management, we provide grants amounting to Rs. 300,000 to [provide] the payment for doing an MBA. To do an MBA is not compulsory, but everyone does it. We also want to encourage it. We don't have any conditions when we give this grant. For other training, for an example, for a banking exam, anybody in the bank could do it. Again no restriction and we reimburse their tuition fee.

Respondent B3 echoed this, stating that:

For this we have been given a huge budget. For the year 2012, the bank spent a total of Rs. 51.62Mn on training and educational programmes for employees.

The emphasis on the development of HC within the bank can be further understood by referring to the work backgrounds of employees. For example, respondents remarked that:

Whether we recruit a particular person or not is not dependent on the education qualification or the experience. (Respondent A1)

Maybe there are outside people who have more experience than insiders. In that case actually, we don't care about that kind of experience. As I said, they don't know about our quality, culture. Sometimes, they couldn't move away from their previous procedures and cultures. In that case, the experience of those people really harms us. (Respondent D2)

However, banks specified that they were concerned about the specific industry experience an employee should have gained when recruiting for specialised jobs such as information technologists, legal officers and accountants.

Mid- carrier recruitment takes place only in relation to specialised job positions. However, the Bank always endeavours to give priority to the filling of such vacancies from within its own internal pool of talent. (Annual Report, Bank B, P. 23)

A similar view was provided by Banks A, C and D. Overall, the above responses emphasise that banks take the responsibility to develop their HC rather seriously. By this, they attempt to ensure that they train their employees with the required skills, experience and knowledge with which to continue their business. Confirming this view Stevens (1994) found that employers gain incentives through providing training rather than hiring skilled employees.

5.2.2 Diversity

Compared to other components related to the definition of HC, diversity was not extensively elaborated upon during the data collection process in Sri Lanka. Importantly, none of the respondents commented on the term diversity in their interviews; however, five out of six banks presented it in their annual reports, therefore diversity was included in the coding process.

Annual reports from the banking sector in Sri Lanka highlighted different types of diversities. These included ethnicity, age, religion, gender and service diversity (Refer to Appendix A). Among these, ethnic diversity and gender diversity were reported by four banks, service diversity reported by two, and age and religious diversity reported by one. Apart from the above noted diversities, only Bank C included a “disability” statement as follows in their Annual Report:

We ensure that our staff and applicants will not receive any less favourable treatment on the grounds of gender, race, religion, nationality, disability, ethnic origin or status (p. 120)

Whilst Bank C referred to their recruitment policy, they nonetheless provided no indication of employing any persons with disabilities in the bank. Further, in terms of these diversities, the majority of banks stated that they promote and recognise diversity in order to show that they are equal opportunity employers. A wide variety of indicators were also presented in annual reports that provided evidence of this, for example, they included age analyses, service period analyses, statements about equal opportunities given to both women and men, and evidence of similar salaries given for equivalent status employees. Related comments included the following:

We are an equal opportunity employer with regard to recruitment and career development irrespective of gender, race and religion (Annual Report, Bank A, p. 216)

The bank is an equal opportunity employer complying fully with industry standards. We take all statutory obligations seriously and honour them as a primary obligation. We promote and recognise diversity, equal opportunity and treatment and creativity of our staff by creating a platform and relevant infrastructure so that they can train and develop to their full potential. (Annual Report, Bank D, 182)

Especially in terms of ethnic diversity, one bank highlighted that it recruited staff from different ethnicities due to the recent expansion of their branch network to areas where the majority of the populace was not Sinhalese⁶. As presented in the Annual Report of Bank D:

The predominant ethnic grouping of our workforce is Sinhalese; this we identified as a constraint for sustainable regional expansion of the Bank. In order to expand [our] ethnic diversity in 2012, we made a conscious effort to recruit staff from minority groups,... (p.182)

Thus, banks interviewed in Sri Lanka demonstrated that they recognise the principle of diversity in order to provide equal opportunity to every individual; however, the banks' recent trend toward recruiting minority individuals may imply that the primary purpose of the effort is the continuation of the business rather than to enhance the diversify of the work force. Based on the above responses, it makes sense that the diversified employees are significant for the management of the banks in Sri Lanka. Confirming this view, Choi and Rainey (2010) stated that a contemporary organisation can derive several benefits from effectively managing diversity. However, diversity was not indicated in previous definitions listed in this study (Refer to Section 2.2.2 above) and; thus it appeared to be a novel element for the definition.

5.2.3 Values

Similarly to competences, researchers frequently used the term values to define the term HC (Cuganesan et al., 2007; Guthrie & Petty, 2000). Holding a similar view, banks in Sri Lanka were also likely to look for a specific set of values in their employees. Respondents specified what values they think are necessary for individual employees to hold for the bank to succeed; for example, commitment, conduct, discipline, ethical, standards of behaviour, fairness and many others. In addition to the above value attributes, the following quotations also provide examples of value attributes.

⁶ A native ethnic group in Sri Lanka.

Our core ethical values include dynamism, honesty, integrity, fairness, responsible citizenship and accountability. (Respondent B3)

Finally, we have lots of values which really help such as honesty, integrity, how do we want to cope with colleagues, loyalty, sobriety, dedication, future oriented etc. (Respondent C1)

Bank representatives further stated that these values were determining factors in situations of employee discipline and limitations to their behaviour, and were therefore extremely important.

Our values are uncompromising ethical and professional standards of behaviour. Discipline is also important. (Respondent A)

Specifically, the Sri Lankan banks emphasised employee behaviours that depend on values which are crucial in attracting and binding more stakeholders including customers. As reported by Respondent A2:

...we need to have people with good values to attract customers and show them the bank has the most valuable people to serve them, and to safeguard their wealth.

The data analysis process used here identified two different views regarding the origin of employee values. Some interviewees remarked that values originate from an employee's background, while others noted that it is the banks' responsibility to install and build employee values. With regard to the first view, focussing on values that employees bring with them, respondents notably commented that the values of employees completely depended upon the background of a person, which included the influence of family, the society that the employee comes from and the school where the employee studied. It seemed that banks strongly believe that if they want to recruit an employee with the relevant and appropriate values, they need to look at their background. The following comments document this conclusion:

We are dealing with public money. That is very important. We believe their behaviours, whether bad or good, come from their family and their school. (Respondent A2)

All these values, competencies, come from family. Family and religion are two important things that make a person correct. If you are from a good family and if you are guided by a good religion, then definitely you have good values. We are never wrong in this concept (Respondent B5)

What we believe is if you come from a good family you never do wrong things. Unethical things. A good family does not mean a rich family. In our bank, we prefer to take people from good families and good schools. (Respondent D2)

Thus, banks ask questions about the background of candidates at the time of their interview. Notably, respondents stated that inquiring about background information is carried out in an informal but friendly manner. Based on their responses, the bank decides whether to recruit a particular candidate or not. They are then concerned with, if recruited, what type of training will he/she need, what supervision should he/she be given. Respondent A2 stated that:

We have to look at the background. ... So, then we know what type of supervisor he needs. This depends on his culture. What type of things am I looking for from him and what type of help can we give from our side and even from peers? That is very important. If they have the values, we can develop their competencies.

After recruiting an employee, the bank takes what it thinks are necessary actions to inculcate organisational values which are pre-defined and written into internal documents. These documents are then delivered to all employees at the date of first employment. The expectation is then that they will adhere to and follow the instructions, internalising the organisation's value set as a consequence. Banks appear to organise different programmes to build these values, and expect all employees to live and act by them. As Respondent C1 commented:

We believe that if an individual has those values they will be an asset to the organisation. In order to ensure or inculcate the values, from time to time we run campaigns. We make them aware and give them reminders in terms of how we go about things. Then, if something goes wrong we share with them and say look here, this is what happened to so and so and this is the action we had to take. Likewise, we encourage them a lot in terms of values. We pass them on starting from induction with regards to vision, mission and values. These are kind of drilled into the individual, so they start living with those values. We consider values to be very important to the success of an organisation.

Respondent B1 remarked that:

We do have an organisational value system. We do have a code of ethics booklet. We give that to each and every employee. They need to follow those instructions (code of ethics). We are highly concerned about values. ...the bank's winning edge is our culture. For us, culture is all about our values and beliefs.

Overall, for banks in Sri Lanka, values are of two types. The first are the values that employees bring with them and the second are the values that are built into employees by the organisation. Both value types were thought to be extremely important; however, the banks' decision as to whether to employ a particular candidate is clearly influenced by the values potential employees bring with them. Confirming the banks' view on individual values and organisational values, Diskienė and

Goštautas (2013) indicated that the fit between these two types of values is significant for organisations, for example in enhancing job satisfaction.

5.2.4 Engagement

The concept of employee engagement has gained a greater level of attention by both researchers and practitioners (Ibrahim & Al Falasi, 2014); however, no previous definitions listed in this study contained it as an attribute (Refer to Section 2.2.2 above).

For banks in Sri Lanka, employee engagement means a vigorous involvement of employees in all activities in the bank. The responses of the banks yielded three types of employee engagement and these are engagement with (1) the bank (Scherrer, Sheridan, Sibson, Ryan, & Henley, 2010), (2) the job (Ali, Hussain, & Azim, 2013), and (3) the larger society (Slack, Corlett, & Morris, 2015).

Accordingly, engagement with the job means active involvement in the job through vigorous work with management, colleagues and customers, and fulfilling their own expectations about their job performance. Engagement with the bank was seen as personal involvement in achieving bank-mandated outcomes such as productivity, efficiency and deposits. As Respondent A1 specified:

Engagement with the job is basically about your role, your supervisors etc. Engagement with the bank is actually outcome-based, such as productivity, employee deposits. We normally measure the outcomes. New ideas and suggestions can also relate to these two types of engagements.

Finally, summing up the responses of Respondents C1 and B1 respectively, a third category can be defined as active involvement in corporate social responsibility-related activities.

All the members get involved and do lot of CSR also. So those are the places where people are really engaged

In order to encourage employee engagement we do have a lot of activities, sports campaigns and social activities

Regardless of the type of engagement, nearly all the banks consider employee engagement of paramount importance. For example:

Involvement is critical for gaining their suggestions (Respondent A1)

We want people who actively participate in our all activities. They can be events, problem solving and decision making. (Respondent D2)

Similarly, some other benefits were also remarked on by respondents, such as to empower employees (D1) enhance organisational reputation (A1), strengthen team spirit (B1), build the competence of employees (C1), strengthen employees' attachment to the bank (D1 and E1), and to

have positive engagement with the union(s) (D2). Respondents remarked that employee engagement is imperative, with comments about the difficulty of getting their attachment also included in their comments. Three banks indicated that it is extremely demanding to enhance their attachment because the majority of employees are young in age. Typical comments are:

Involvement of employees is extremely important. Especially as the majority of our employees are fresh bloods (Respondent A2)

The staff members of ... (Name of the bank) are predominantly in their early twenties. Keeping them actively engaged is one of the most exciting challenges that the Human Resource Department faces. (Website, Bank C)

Our people are very young. It is not easy to keep them with us (Respondent D2)

Owing to these difficulties, the banks use different strategies to gain the involvement of employees. For example, Respondents A1 and D2 noted that they use new ideas and suggestions as a strategy to enhance engagement. Respondent B1 stated that they organise many activities such as sports campaigns, quiz competitions and regional events such as "savings fiestas", and other cultural events. Further, C1 commented that they use strategies including training and recognition with awards, along with a culture of open-door communication and planned special events. Several of these were identified: New-Year celebrations, sports days, annual dances, an annual drama competition, a Christmas party for children of employees, competitions such as a motor rally, quizzes, debates, and other types of competitions. The following few comments provide evidence for such examples.

New ideas and suggestions can relate to these two types of engagements. Then engaging beyond the scope is go to the society. (Respondent A1)

...we need engaged people. In order to encourage employee engagement. We do have lots of activities, sports campaigns, and social activities. People willingly come and join in these engagement activities. We do have quiz competitions as well. Then we have regional events, cultural events. Recently we did a campaign as a 'savings fiesta' in all island branches. We went for aggressive marketing for deposits in every weekend of a month. Being at the HR Department, I also participated in two programs. Likewise we all got together and we engaged in that activity as one family.
(Respondent B1)

These strategies emphasise that employee engagement has now become a common workplace approach in the banks interviewed in Sri Lanka. This view confirms previous evidence which seeks to ensure the achievement of organisational goals as well as employee well-being through commitment and active involvement with the firm and its activities (Ibrahim & Al Falasi, 2014; Saks, 2006).

5.2.5 The operational definition for Sri Lanka vs the OECD definition

Based on the above evidence, in Sri Lanka, the term HC is operationally defined as “a cluster of competences, diversity, engagement and values of employees” This definition was compared with the OECD definition of “the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being” (OECD, 2001, p. 18). The comparison reveals that though the OECD definition considers skills, knowledge and competences as separate elements, the Sri Lankan banks providing data for this study consider them as one category under the broader term "competences". Further, it was found that the remaining three terms "diversity", "values", and "engagement" in the Sri Lankan banks were not specifically identified in the OECD definition. This was not limited to the OECD definition; other definitions available in the literature (Refer to Section 2.2.2 above) are silent on the two terms diversity and engagement. The OECD definition uses the term “attribute” in their definition, which may represent all other attributes of HC; however, there is no clear statement available on what they really mean by "attribute".

Table 5-1: Comparison of the Sri Lankan operational definition with OECD definition

Human capital	Sri Lanka	OECD
Skills	✓	✓
Knowledge	✓	✓
Attributes	-	✓
Competences	✓	✓
Diversity	✓	Not included
Engage	✓	Not included
Values	✓	Not included

5.3 New Zealand

The term HC is defined for banks in New Zealand as “a cluster of competences, values, diversity and knowledge of employees.” This definition was derived from the data collected from four interviews and the secondary sources of four banks. The aim of this section is to describe each theme and then emphasise the contribution to the literature comparing the operational definition with the OECD definition.

5.3.1 Competences

As stated in Section 5.2.1 above, competences is used in many HC definitions (OECD, 2001, 2011b; Roos et al., 1997; Tovistiga & Tulugurova, 2009); thus the findings detailed below support such previous definitions. One bank in New Zealand published their view of competencies as:

Measurable characteristics of employees that are related to their success at work. (Website, Bank H)

Similarly, Bank G also gave an indication about how they measure competency.

We don't think about the number of years of experience. It is a level of competency. We do check how long an employee has been with the bank. We do check it on a quarterly basis. (Respondent G1)

Highlighting the importance of competences, some banks commented that a competency model (framework) consisted of many measurable characteristics or behaviours which help in defining each employee's job role. These behaviours are not limited to one or two aspects of employees but include wide varieties of employee qualities or characteristics, for example, the ability to focus attention on detail, to build and maintain effective relationships with key stakeholders, to work under pressure, and to have leadership capabilities (Refer to Appendix B). As Bank H noted, owing to the complex nature of human behaviours, the characteristics that describe their employees are many and diverse and this situation results in a library of 67 competences (see the following comment).

As people are complex, the characteristics that describe their behaviour are many and varied, resulting in a library of 67 competencies (Website, Bank H)

Similarly to banks in Sri Lanka, the New Zealand banks interviewed also classified the broader list of competences into just a few major elements. Typical comments which help to identify the main theme are:

Competencies are measurable characteristics of a person that are related to their success at work. They may be behavioural skills, technical skills, attributes (such as action oriented), or attitudes. (Website, Bank H)

There are probably a number of elements to it: one is related to the specific role so that would be determined by that role; so there will be particular competencies that we'd be looking for, particular skills, abilities, particular experience that we would be looking for from the employee. Ideally, we hope that someone would be able to demonstrate experience or relevance in each of those areas so that when they start the role they are actually performing in a very short space of time. (Respondent H1)

Competences mean skills, abilities, and experience of employees.
(Respondent K1)

Based on these statements, this study defined the term "competences" in the New Zealand banks as "the combination of skills, attitudes, abilities and experience". Of these four attributes, two: skills and attitudes, were in line with the literature (Glajchen & Bookbinder, 2001; Van Loo & Semeijn,

2004). Further, experience agrees with Sveiby's (1997b) definition of competences while ability supports the study by Nordhaug (1993).

Among the four categories of competences, it could be observed that the experience of employees is more important than the other three components of competences, which was not supported in previous studies. According to banks' views, experience means not only the prior experience in a similar position or profession, but also experience with a particular job, the banking business, customer service, or other banking experience (Refer to Appendix B). Confirming the banks' views, Gill, Sharma, Mathur, and Bhutani (2012) noted that experience includes the diverse set of experience as above. This wide range of experience provides the learning and required skills for employees to perform in the job successfully. This is evident in the response below.

When I think of skills, it really relates to how I go about executing my role, delivering on the requirements of my role. So if I think about the skills set which is particularly important for someone like me in my role, it is the ability to manage stakeholders. I think experience helps you build that skill set. (Respondent H1)

The importance of experience was further emphasised by Respondents G1 and J1.

Just because you've done something lots of times it doesn't necessarily mean you're good at it. Actually a bit of an area of interest for me is developing people through experience; the knowledge of learning, and I think you actually need a number of things in place to learn from experience. (Respondent G1)

The experience is much more important than anything else for upper levels especially. (Respondent J1)

Other than experience, respondents highlighted the importance of having employees that mirror positive attitudes. Typical comments published by the banks include:

Creating a workforce that reflects the attitudes and needs of the communities in which we operate is a priority for us. (Annual Report, Bank G, p. 5)

Your outstanding communication skills will be utilised and your positive, motivated attitude will add real value to the team (Website, Bank H)

Self-motivated with a positive can do attitude (Website, Bank J)

To join this team you'll need to have strong interpersonal skills and a positive, team oriented attitude (Website, Bank K)

The literature provides that employers in the service sector such as retail and hospitality industries are generally looking for soft skills, including attitudes, rather than hard skills (Gustafsson et al., 2005; Murthy, 2013); thus the banks' views confirm previous evidence.

Though banks specifically noted the importance of having people with a positive attitude and the experience to execute a job successfully, no specific comments were given about skills and abilities, other than specifying a list of such desirable attributes of applicants and employees (Refer to Appendix B) and the way of developing them. In terms of developing skills and abilities, the New Zealand banks emphasised that they provide training and development for employees, based on need. If banks recognise weak areas of employee performance or where they need development, then the banks decide to provide the required training. As Interviewee H1 specified:

All the employees are entitled to this training and development program. Yes, it really is based on need. At the moment and this is a piece of work that my team will be involved in; we don't have a leadership development program for all of our leaders.

Thus, it seemed that the New Zealand banks take responsibility for developing their employees.

5.3.2 Diversity

Section 2.2.2 above mentioned a list of selected definitions for HC, but diversity was not found in any of the listed definitions. Though previous definitions excluded it, almost all the New Zealand banks significantly commented on diversity, thus this study considered it in the coding process.

For banks in New Zealand, diversity is a concept which focuses on a broader set of characteristics rather than only gender. Equal opportunities given to women was a significant concern, but at the same time the coding process highlighted other examples for diversity such as age, gender, culture, ethnicity, perspectives/views, experience, and disability. The following responses provide evidence for this.

I think there is the diversity of experience that an individual brings as well. For example, we have a program around diversity and inclusion which is related to things like women in leadership, ethnic diversity, and cultural diversity. But it's so much broader than that. I think for us as an organization we need to value different perspectives because ultimately that will make us a better organisation. (Respondent H1)

It is critical to appreciate that while ... (Name of the bank) has made progress toward gender balance, we are addressing other aspects of diversity, including tackling flexible work practices and the ageing workforce, right through to the changing cultural demographics of New Zealand and the implications this has for market segmentation – and

indeed for our workforce and our leaders. (Case study prepared by Bank J for diversity)

At ... (Name of the bank), diversity is not only about age, gender, style or ethnicity but also about unleashing the potential of each individual within our workforce. (Website, Bank K)

Respondents stated not only different types of diversities but also motivation to focus on it. As stated in the comment below, first, there has been a reduction of the size of the workforce in New Zealand from global competition for talent (Faherty, 2014). There is also concern with how to cope with an ageing workforce (Bascand, 2012).

As the global war for talent and the ageing workforce combine to reduce the volume of workers available in New Zealand, it will be increasingly critical that we attract, recruit, retain and develop the best talent – because when you have the best talent within your workplace, you have a culture that allows them to work and contribute to their utmost potential. We cannot afford to cut off a piece of the talent pool – whether we are talking about women, mature workers, those with disabilities, recent migrants or graduates. New market-leading ideas and perspectives require new thinking, and we believe a diverse workforce is the key lever behind such thinking. (Case study for diversity - issued by Bank J)

In this context, for Bank J, it is imperative to attract, recruit and retain the best talent so that the bank has the highest level of survival potential. As Bank J further stated above, such diverse people bring new perspectives and fresh enthusiasm to banking practice, which are essential for maintaining the productivity and performance of banks. This view supports Armstrong et al. (2010) findings that the diversity and equality management system contributes to firm performance. Thus, the bank is now concerned with recruiting and retaining the best, regardless of age, disabilities or gender. Banks G and I also noted that not only does banking depend upon new thinking, but also on the positive relationship between diversity and productivity and job performance:

We believe diversity, flexibility and inclusiveness are vital to improving the quality and productivity of our workforce. (Annual Report, Bank G, 17)

For us diversity is about creating a high performance, inclusive culture. One that attracts and retains the best people, responds more quickly and effectively to customers' needs, is innovative, dynamic and drives higher performance. (Website, Bank K)

It appears that diversity is practised in New Zealand's banks not because they do not want to offend any group of people or from legal requirements to do so, but because of a genuine attempt to gain business advantages out of it. As Bank K specified:

...diversity is not political correctness, but delivers a distinct competitive advantage for organisations that invest in encouraging a culture of diversity, flexibility and inclusion. (Website, Bank K)

Overall, in the context of banks in New Zealand, diversity does not just refer to age, gender, ethnicity or cultural differences, but is about identifying the distinctive contribution that a diversified workforce can make and then the creation of a workplace that values differences in order to maximise the potential of each employee for the organisation.

5.3.3 Values

The term value is included in the HC definitions by banks in New Zealand and this supports the previous studies (see Cuganesan et al., 2007; Guthrie & Petty, 2000). It appears that for New Zealand banks, employees should bring compatible values with them when they are hired. The coding process resulted in a list of values consisting of a wide range of qualitative characteristics that the banks interviewed in New Zealand are looking for in potential employees (Refer to Appendix B). Respondents emphasised that almost all of the values that banks interviewed expect from employees were based on the "organisational values" which underpin each bank's corporate vision. As reported on the website of Bank H:

Living our values every day is integral to achieving our vision.

Accordingly, for banks interviewed in New Zealand, values are the attributes employees need to bring to the job; thus, almost all banks interviewed specified in their job descriptions the values employees need to uphold. As Respondent J1 stated:

As I said earlier, we usually include in the JD what type of personal qualities we expect. For example, qualities that we expect are [highly] motivated, target- driven, self- motivated, and sensitivity. Sometimes they (employees) need to deal with people in financial difficulty. They should be passionate about customer service.

Bank H also stated:

We're looking for people who share our values of caring, passion, integrity and ambition to be involved in a business that is inspired by success.
(Website, Bank H)

At the time of selection, these specified values were compared against predefined organisational values to make sure the bank recruited the most suitable employee. As Respondent H1 stated:

From a values point of view, there are probably two ways to answer that question. What are the organizational values? Because those are things that we test against through a selection process.

The fit between individual values and organisational values supports the study by Diskienė and Goštautas (2013). Respondents reported that they need employees to align with organisational values due to the reason that they perceived that the values held by individuals reflected how employees got along with each other on the job, as well as with stakeholder groups such as customers, local communities and shareholders. In other words, the quality and extent of interaction with stakeholders with the bank is based on the degree to which employees' values align with the banks' values. Related comments were:

Supporting our customer-focused strategy is a strong set of company-wide values, which are embedded in our culture. These are: delighting customers; one team; integrity; courage; and achievement. (Annual Report, G, p. 9)

Values reflect ... and how we work together - both in our interactions with each other as well as with our customers, communities and other stakeholders. (Website, Bank H)

Banks appear to believe that aligning employee values with the bank's values reflects what is great about the bank or what advantages the bank may have over competing firms. This view was not supported in the previous studies. Instead, much research recognised that HC as a whole concept contributed to achieving advantages over competitors (Jassim & Jaber, 2007; Rastogi, 2000).

5.3.4 Knowledge

Researchers frequently used the term Knowledge in defining HC (Baron, 2011; Brennan & Connell, 2000; Cuganesan et al., 2007). Also, the New Zealand banks noted that employee knowledge is an essential criterion for every job.

Publishing their vacancies together with job descriptions is a standard practice in the New Zealand banks interviewed and thus, the researcher referred to these job descriptions during the data collection process and found that every applicant must have the necessary educational qualification before applying for a job. The qualification requirement is dependent on the job role, and usually entry level jobs require secondary school qualifications, whilst other positions need either professional memberships or tertiary qualifications. Respondent J1 confirmed the researcher's observation, stating that:

If we talk about educational qualifications, they are dependent on the positions. If it is in the case of above managerial positions, yes we do need degree qualifications. For levels below the managerial, we just recruit school leavers [those with secondary school qualifications]. And for some managerial levels we require professional membership as well. Sometimes the minimum requirement can be the professional membership and the minimum education level. But we state that we prefer [applicants] to have a tertiary qualification.

Though the knowledge gained through acquiring an educational qualification is a requirement of banks and almost all banks notably stated that they prefer employees to gain other types of knowledge (Refer to Appendix B). For example, some respondents identified knowledge about the geographic area, an industry, health practices, the job role (technical knowledge), security practices, personnel rules and regulations, and various risks, rather than an educational qualification which is rarely used when executing the job. As Respondent H1 stated:

I have got a post-graduate degree that was useful in some ways, but to be honest most of my learning has been on the job.

When it comes to the origin of these knowledge types, two banks noted that some of the above topics, such as knowledge about the area and the industry, need to already be understood by new employees. Other knowledge is expected to be gained through experience. Related comments are:

I would say knowledge is more about knowing what you are doing in terms of your competency and your role. (Respondent G1)

That depends on the role. Of course we need educational qualifications as well. I think experience is probably more and a greater emphasis is placed on experience more than qualifications. (Respondent K1)

Thus, it seemed that for the banks interviewed in New Zealand, knowledge is not a static attribute, but develops as employees use the knowledge to perform in the job role. Knowledge is made up of the experience that informs individual employees' practices of how they perform in the job. As the employee continues in the job, different learned activities and understandings are accumulated and become a part of their knowledge base. This result does not exactly agree with previous studies but is comparable. Focusing on organisational context, previous studies found that organisational experience creates knowledge which contributes to an organisation's continuing to grow (Argote & Miron-Spektor, 2011; Jarrar, 2002; Trainor, Brazil, & Lindberg, 2008).

5.3.5 The operational definition for New Zealand vs the OECD definition

Based on the above evidence, in New Zealand the term HC is operationally defined as "a cluster of competences, values, diversity and knowledge of employees." Similarly to Sri Lanka, the New

Zealand definition also compares with the OECD definition as: “the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being” (OECD, 2001, p. 18) (Refer to Table 5-2 below). When comparing these two definitions, it was found that the New Zealand banks consider skills as a component of competences, but knowledge as a separate element. Also, it was found that the two terms "diversity" and "values" in New Zealand's operational definitions were not specifically identified in the OECD definition. This was not limited to the OECD definition; other definitions available in the literature are silent on the term diversity. However, as stated in Section 5.2.5 above, there is a possibility that the term “attribute” in the OECD definition may represent all the other attributes of human capital. However, the term "attribute" is not clearly mentioned in OECD reports.

Table 5-2: Comparison of the New Zealand operational definition with the OECD definition

Human capital	New Zealand	OECD
Skills	✓	✓
Knowledge	✓	✓
Attributes	-	✓
Competences	✓	✓
Diversity	✓	Not included
Values	✓	Not included

5.4 Comparison of operational definitions between Sri Lanka and New Zealand

Sections 5.2 and 5.3 presented the way the two contexts define the term HC. In Sri Lanka, the term is operationalised as “a cluster of competences, diversity, engagement and values of employees” and for New Zealand, it was operationalised as “a cluster of competences, values, diversity and knowledge of employees.” This section compares the two, providing an examination of the similarities and differences.

When comparing these two definitions between the two sets of banks, it seemed that the operational definition for both contexts consisted of four attributes. An overall insight can be gained by looking at Figure 5-1 below. Of these four, three characteristics were common between the definitions (competences, diversity and values). The characteristics “engage” and “knowledge” are unique to Sri Lanka and New Zealand respectively; however, in the abstract, the term "engage" is included as an element of competences for the banking sector in New Zealand. In contrast, ‘knowledge’ is seen as an element of competences in Sri Lanka. Thus, the attributes embedded in the HC are similar across countries, resulting in a single definition that applies in both contexts.

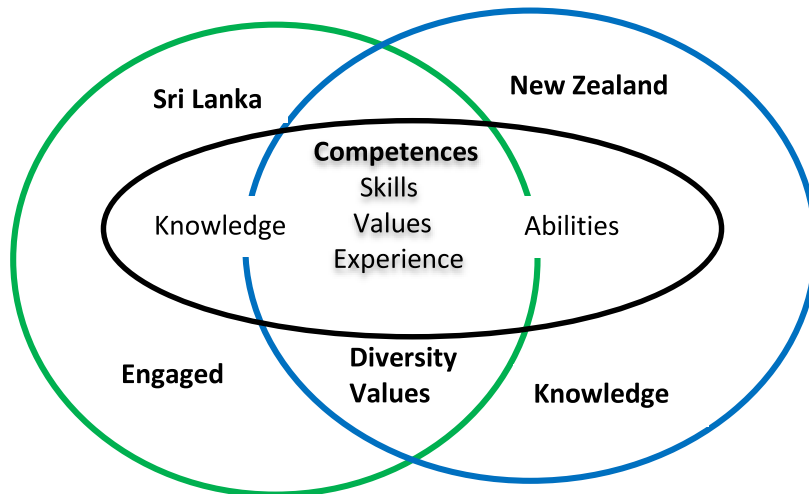


Figure 5-1: The structure of human capital

Though the elements are similar, the way the individual banks have demarcated them is slightly different; thus, the following subsections compare and contrast the meanings of these terms (competences, diversity, values, and engagement (knowledge is discussed within the competences category) in these separate contexts.

5.4.1 Competences

The comparative situation concerning Sri Lankan and New Zealand banks' view of competences is illustrated by Figure 5-2 below. For both contexts, the skills, experience and attitude components were similar. However, a difference does occur in the fourth category; New Zealand banks emphasise abilities, while knowledge is identified by the Sri Lankan banks. However, it should be noted that the banks in Sri Lanka categorised abilities, not as a main component of competences, but as a sub-element of skills. For New Zealand banks, knowledge is not a category of competence but a main element of HC.

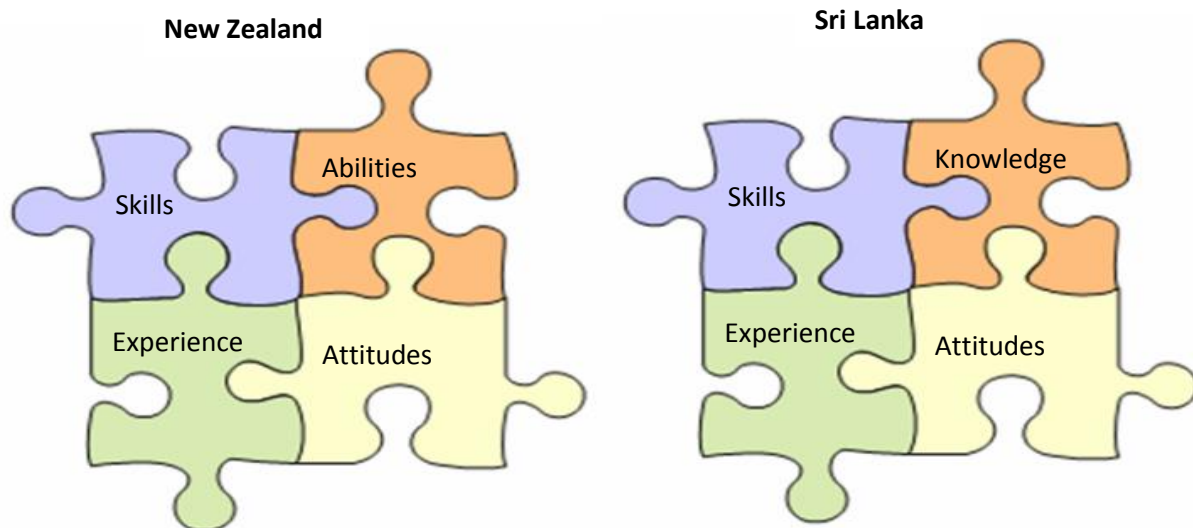


Figure 5-2: Comparison of competences

As detailed above, the structures are similar, however, the views of respondents about the “responsibility to build competences” highlighted a subtle difference. Banks in both countries believe that it is their responsibility to develop most of the competences. As both sets of banks expressed, the purpose of having training and a development team/section/department is to groom their employee to required standards; however, it was observed that the task of the training and development team in the banks interviewed in Sri Lanka is wider than that of those in New Zealand.

Specifically, at the time of recruitment, none of the Sri Lankan banks required candidates to have specific skills or higher level education qualifications (other than secondary school completion), nor prior experience. This implies that the banks interviewed in Sri Lanka recruit employees without considering prior qualifications, experience or skills. These necessities are given to employees by the banks’ various training programmes.

We recruit raw people with just their Advanced Level (A/L) [examinations] passed. Actually we recruit people, not human capital. They are trainees with young blood. We give them everything such as knowledge, skills, experience, we teach them ethics and values. We are the ones who build human capital. That human capital is completely fit for our requirements. We transfer raw people into human capital. So, we want to retain training here. (Respondent B1)

That is why our recruitment policy is to ‘develop people within’ (Respondent C1)

We never recruit people for the branch’s higher positions from outside. (Respondent D4)

As published in the job descriptions, however, the New Zealand banks require their candidates to apply with all necessary competences such as skills, educational qualifications, abilities and

experience. For example, a job description in one bank specifically identified what type of experience the applicant should have:

If you have the following qualifications and skills, you'll thrive in the position: Work experience of 3+ years within the financial services industry, preferably with a portion of that experience in operational risk, fraud, compliance, operations, audit or other relevant discipline including a tertiary qualification in a related discipline, proven experience in leading large diverse teams. Ability to interpret and analyse complex, sometimes conflicting information and issues. Solid interpersonal skills (partnering, communicating, networking and influencing) (Website, Bank G)

Thus, it is clear that though both banks interviewed take responsibility for grooming their employees, the extent to which they do so is different. Banks in Sri Lanka think that the development of HC is wholly dependent on the banks, while the New Zealand banks use training and development programmes where necessary. The Sri Lankan situation seems to be apparent in other sectors in Sri Lanka. As Abeysekera & Guthrie (2004) concluded, Sri Lankan firms invest substantial amount in training their employees. More emphasis on building competences through providing training is probably stimulated by the culture of Sri Lanka where the relationships between employees and employers are more important (Abeysekera & Guthrie, 2004).

5.4.2 Diversity

The second common component of HC between Sri Lanka and New Zealand is diversity. For the Sri Lankan banks, the diversity concept incorporates gender, ethnicity, religion, service and age differences. In contrast, New Zealand banks have a broader view. For banks interviewed in New Zealand, valuing diversity includes not only gender, ethnicity, service and age, but also cultural differences, different perspectives/views and disability. Sri Lankan banks interviewed were silent about the last three aspects of diversity namely, cultural differences, different perspectives/views and disabilities of recruits. New Zealand had a broader view than Sri Lanka which may have resulted from the combined effect of the increasing age of the workforce and the volume of immigrants to New Zealand (Badkar & Tuya, 2010). The number of people in the aged 65+ category in New Zealand has increased since 1980, recording 600,000 in 2012 and it has been projected to double by 2036 (Bascand, 2012). As noted by government authorities, New Zealand changes in the composition of the population have resulted in a greater level of diversity, especially in the workforce (Department of Labour, 2011; Ministry of Business and Innovation and Employment, n.d.), Importantly, it was argued that the increase in immigrants also thereby increases social diversity (Clydesdale, 2011).

5.4.3 Values

Banks in both countries recognised that they prefer to recruit employees with values; however, a different view point appeared in terms of “How are these values built?” In the context of New Zealand, all these values had to be within the employees when they joined the bank. The extent of alignment between candidate values and organisational values influences the employee selection decision; thus, banks use different techniques to test employee values against organisational values. The New Zealand banks interviewed conduct the selection process formally, and recruit employees with the values that they require; thus, it is the employees’ responsibility to align with banks' values and no formal values indoctrination is given.

Whereas, for the Sri Lankan banks interviewed, employee values depend on the background of the employees such as family, society, school and religion. If an employee comes from a "good family", it is a kind of assurance that the particular employee has the necessary values; thus, banks in Sri Lanka inquire about the employee’s family background in the selection interviews and weight this heavily. However this inquiry happens informally. If the bank is satisfied, a particular candidate will be recruited, and the bank will then take the necessary actions to inculcate predefined organisational values in the employee. Thus, the Sri Lankan banks interviewed first informally test for the values that are held by applicants to make sure they will suit the bank, its internal culture, and operations, and then take the actions necessary to inculcate the bank’s values in newly hired employees. Banks assume the responsibility of building an employee with a required value set. This was confirmed by Abeysekera and Guthrie (2004) who stated that the Sri Lankan firms’ training is more towards strengthening employee soft qualities than job related.

Thus, though there is common ground between them, it is clear that the perceptions of values by the two sets of banks differ.

5.4.4 Engagement

In terms of engagement, Sri Lankan banks emphasised it as an essential component that they look for from employees, but such significant comments were not found with regard to the New Zealand banks. The reason for considering engagement by the Sri Lankan banks could be because of the collectivist culture of Sri Lanka, which emphasises an affective bond and a resultant attachment between Sri Lankan banks and their employees (Chandrakumara & Sparrow, 2004; Fernando & Jackson, 2006; Jayawardana & O'Donnell, 2010; Weathersby, 1993). It is evident that as a collectivist country, people in Sri Lanka maintain a close connection and long term commitment to the groups that define their existence (Jayawardana & O'Donnell, 2010). For example, a member of a family is

attached not only to their current family but also to their extended families as well as the extended associations provided by these. Since national culture wields a substantial influence on organisational culture (Hofstede, 2001), most Sri Lankan organisations, including banks, are likely to be more strongly collectivist orientated. Within such a culture, the banks interviewed appear to be emotionally dependent on their employees in order to succeed.

This interpretation is aligned with attachment theory (Bowlby, 1969/1983). Attachment theory argues that affection has an impact on emotional and physical well-being not only during childhood, but also in adulthood and thus during employment (Sable, 2008). Organisations are usually referred to as an attachment figure (Lin, 2010). Thus, to profit from attachment dynamics within an organisation, a relationship between employee and employer must involve an affectional bond (Lin, 2010). In this context, it is clear that the Sri Lankan banks interviewed invest in HC to create an attachment with employees. This is somewhat different from the view expressed in Human Capital Theory (Schultz, 1961). As Shultz explained, “the knowledge and skills that people acquire through education are forms of capital, and investment in this capital yields returns” (1961, p. 1). However, in the context of Sri Lanka, banks invest in HC not only to yield returns but also, importantly, to enhance the attachment with employees.

5.5 Summary

From a theoretical point of view, HC is a concept which needs to be developed further (Lewis & Heckman, 2006). Specifically, there is no uniformly agreed upon definition of it. Owing to the documented lack of consensus, it was necessary to develop an operational definition from the views of those who make use of the concept, to make sense of their definitions, and then describe how they are utilised by these businesses. Also Abeysekera (2008a) pointed to this lack of consensus and suggested that future researchers explore this term further.

This study therefore developed an operational definition for each country. Accordingly, in Sri Lanka, the term is operationalised as: “A cluster of competences (knowledge, skills, experience and attitude), diversity, engagement and values of employees”. For New Zealand, it was operationalised as: “A cluster of competences (skills, attitudes, abilities and experience), values, diversity and knowledge of employees.”

When comparing these two definitions between the two sets of banks, it seemed that the operational definition for both contexts consisted of four attributes. Of these four, three characteristics were common between the definitions (competences, diversity and values), while “engage” appeared unique to Sri Lanka and “knowledge” to New Zealand. However, these terms

were included in the coding process of both countries, so the attributes embedded in the HC seemed similar across the countries.

5.6 Contribution

This study has examined a concept; HC, that is fundamental to understanding banking operations. As a starting point, it has investigated how the term HC is defined in the Sri Lankan and New Zealand banking sectors. This initial step has contributed to the field of HC in several ways. First, this study developed an operational definition for each country; in Sri Lanka, the definition consisted four dimensions; competences (knowledge, skills, experience and attitude), diversity, engagement and values, and in New Zealand, competences (skills, attitudes, abilities and experience), values, diversity and knowledge. These operational definitions were compared with the OECD definition (See Section 2.2.2 above), resulting in a notable contribution. Two contributory terms, “diversity” and “values,” were used in both definitions and a third, “engagement,” which emerged in the Sri Lankan definition, was absent in the OECD definition. The three terms were not found in any other definition listed in Chapter Two (See Section 2.2.2. above). It is hoped that the definitions developed here will enhance understanding about how practical definitions, which are derived from and applied in actual organisational settings, differ from what can be called “theoretical definitions”.

Second, “competences” was recognised as an HC attribute by banks in both countries. In particular, the Sri Lankan banks defined competences as knowledge, skills, experience and attitude of employees, of which attitude is regarded as more important. The New Zealand banks provided a somewhat different definition, listing the competences as skills, attitudes, abilities and experience. Of these, experience was highlighted as most significant. The relative importance of attitude and experience compared to other attributes of HC has been rarely addressed in previous studies.

Third, the previous studies provide evidence as to the positive association between the recruitment decisions of organisations and over-qualifications of employees (Alfes, 2013; Martinez et al., 2014). Providing contradictory evidence, the Sri Lankan banks strongly emphasised that employees do not need to have a higher level educational qualification at the time of recruitment because banks do not consider a higher level education as an essential element of knowledge, and that they carefully trained those they took on as employees in their roles and responsibilities.

Fourth, this study focused on two countries with different levels of economic development: Sri Lanka, a developing nation and New Zealand, a developed nation. Prior to this study, there have been no previous comparative studies between the two countries. Thus, there is a significant gap in

the knowledge about how these two countries, representing two very different environments, diverge in terms of their HC. As the first comparative study of its type, this study provides a comprehensive understanding of the ways in which these two countries differ from each other.

Fifth, the comparison of the two operational definitions between two countries revealed that the HC attributes in two operational definitions appeared homogeneous, which provides an opportunity to use a single definition that applies in both contexts. Such similarity between two countries was not noted in the literature.

Sixth, though the attributes of HC were similar, the way the individual banks demarcated them was found to be different; however, such differences were not highlighted in the literature. The differences were:

1. For the Sri Lankan banks, the diversity concept incorporates gender, ethnicity, religion, service and age differences. For the banks in New Zealand, diversity includes not only gender, ethnicity, service and age, but also cultural differences, different perspectives/views and disability. The Sri Lankan banks interviewed were silent about the last three aspects of diversity; thus, the New Zealand banks have a broader view than those of Sri Lanka.
2. Regarding employee values, the Sri Lankan banks interviewed first informally test for the values that are held by applicants to make sure they will suit the bank, and then take the actions necessary to inculcate the bank's values in newly hired employees, while the New Zealand banks interviewed conduct the selection process formally, and recruit employees with the values that they require; thus, it is the employees' responsibility to align with banks' values.
3. In terms of engagement, the Sri Lankan banks emphasised it as an essential component that they look for from employees more than those in New Zealand.
4. Finally, this exploration found that though both banking sectors take responsibility for grooming their employees, the banking sector in Sri Lanka thinks that the development of HC is wholly dependent on the banks, while the New Zealand banking sector uses training and development programmes where necessary to develop their employees.

After understanding how these two sets of banks define the term HC, the next chapter examines how banks view the importance of HC.

Chapter 6

The significance of human capital

6.1 Introduction

The previous chapter presented the operational definitions developed for HC for banks in Sri Lanka and New Zealand. Understanding what HC means, this chapter demonstrates why HC was significant for the banks interviewed in Sri Lanka and New Zealand.

Specifically, previous studies had shown there were numerous reasons for organisations to believe that HC is important, for example value creation (Abhayawansa & Abeysekera, 2008) and competitive advantage (Pfeffer, 2005). However, as stated in Section 1.4, there is a gap between what the theory states and what the organisations actually believe (Petty & Guthrie, 2000). Thus, this chapter fills this gap by providing a comprehensive view of why banks in Sri Lanka and New Zealand believe that HC is important. In doing so, this chapter answers two research questions: “Has the banking sector deemed human capital to be important, and why?” and “How does the human capital in the banking sector in Sri Lanka differ from New Zealand, why might this be so, and to what end?”.

Sections 6.2 and 6.3 first interpret the findings for Sri Lanka and New Zealand, respectively, with support from theoretical notions. Thereafter, Section 6.4 compares and contrasts the findings between the two contexts in order to emphasise that the extent of what a developed country views as important for HC is different from that of a developing country. Finally, summary and the contribution to the literature is highlighted in Sections 6.5 and 6.6 respectively.

6.2 Sri Lanka

To address the question of ‘why’ HC is important, this study explored diverse possibilities. The interviews of six banks in Sri Lanka provided five possible responses: 6.2.1. Enhance productivity and efficiency, 6.2.2. Ensure banks’ survival (day to day operations), 6.2.3. Adhere to compliance requirements, 6.2.4. Achieve long term success, and 5.2.5. Enhance business performance (Refer to Figure 6-1 below) and the banks’ views on these reasons are presented in the following sections.

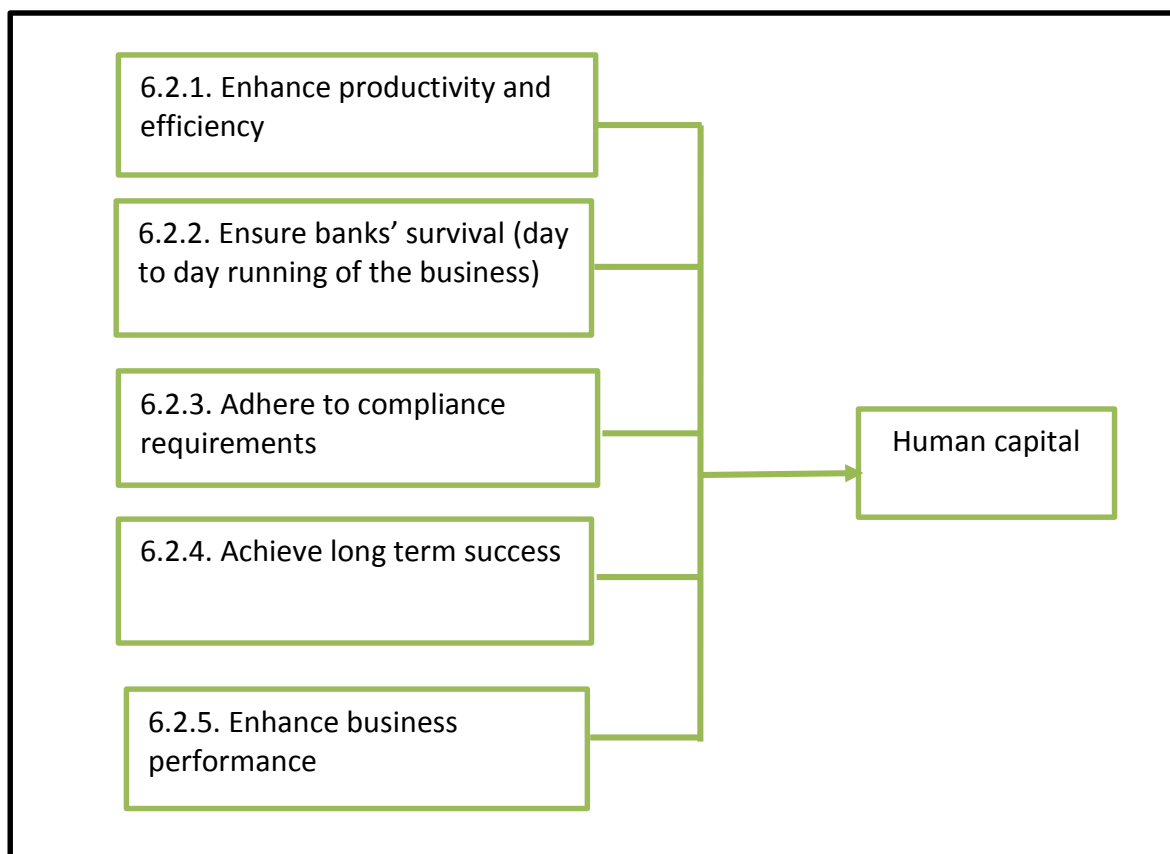


Figure 6-1: Reasons for the significance of human capital in Sri Lanka

Though this study identified the above five as unconnected themes, the literature provides evidence for a link between some themes. For example, in highlighting the relationship between survival and success, Van Praag (2003) documented that the longer one can survive in the business the more successful one is. Levy (2012) found a link between firm performance and entrepreneurial success; however, providing contradictory evidence to Levy, Reijonen and Komppula (2007) found that business success influenced firm performance. The association between firm performance and human capital efficiency was documented by the study of Muhammad and Ismail (2009).

However, this study neither developed codes nor identifies links between codes based on the literature. As stated in Chapter Five, (Section 5.1), the findings presented in this chapter are systematically generated from the themes that emerged from the interview data and triangulated with data from secondary sources and; thus, could not identify such relationships among themes.

6.2.1 Enhance productivity and efficiency

While recognising the importance of HC in enhancing efficiency and productivity, three banks (A, C, and D) in Sri Lanka identified different strategies for enhancing them and these included improving employee wellness (health) and the recruitment of internal employees for vacancies. In terms of enhancing productivity and efficiency through improving employee wellness, Respondent C1 stated that:

We think that people have to be physically fit. Then, that will improve his or her health and, at the same time, productivity, efficiency et cetera.

As Respondent C1 noted, they organised different programmes to stimulate the wellness of employees, for example, a wellness programme called “Lose to Win” was conducted by the bank with the intention of reducing employees’ weight. Employees from different departments participated in this competition and worked towards reducing their weight in consultation with doctors. Employees who did not participate in the competition also enjoyed the programme by supporting employees who participated. Finally, the employee team who lost the most weight was rewarded for their efforts. As Respondent C1 remarked, this programme contributes to improve physical fitness as well as mental fitness:

These kinds of strategies help people to be healthier and active. Team work improves and finally they increase involvement in company matters very actively. We in the HR team also take part, so HR was also a team. It is a really surprising thing to see how [much] people enjoy this programme. During that period we saw a kind of special motivation and unity among staff. Doctors came here and gave advice and lessons, [provided] different exercise programmes, help(ed) with dieting et cetera. Finally, we rewarded to winning team. We all really enjoyed it.

By conducting these programmes the bank expected to enhance not only the physical fitness and happiness of employees through providing a new, positive life experience, but also to improve the motivation of employees to work. With enhanced motivation, employees work harder and more efficiently, which improves the overall level of productivity. This view was in line with Human Capital Theory (Schultz, 1961), which explained that organisations tended to develop their HC through investing in them owing to their ability to enhance productivity. Such investment includes expenses incurred for employee education, health and training (Becker, 1964; Flamholts & Lacey, 1981; Marginson, 1989; Schultz, 1961).

Further, internal recruitment was also mentioned as a mechanism to enhance efficiency and productivity. Banks A and D expressed a different approach for this purpose, that is, they redesigned

the recruitment procedure in such a way as to reduce time and costs. As Respondent D4 states, the redesign was:

Because we need to take one who knows our culture, our values, and our procedures of the bank. The most suitable one comes from inside not from outside. We don't have time to waste recruiting one from outside and teaching him what our culture, procedures and values are. It takes time. Otherwise, it is a waste of time and the money.

As stated in the comment above, the bank preferred not to recruit employees externally due to the associated high costs. External recruitment incurs substantial expenses related to advertisements, hiring, inductions, training and development. The bank is of the opinion that if they recruited employees internally, it would help to reduce these expenses. They believed the costs they incur to develop external candidates were a waste of money and time, thereby, reducing efficiency and productivity. In summary, bank D believed that they can enhance efficiency and productivity by reducing or eliminating expense. For this reason, the bank has set their recruitment policy to recruit internal candidates to fill vacancies. Bank A also agreed with this view stating that:

Through internal recruitment we expect to enhance cost efficiency
(Respondent A1)

In supporting the banks' (A and D) views, Lepak and Snell (1999) stated that an organisation's decisions, about whether to invest in HC, depended on the possibility of exceeding the enhancement of productivity over investment costs. If costs associated with the investment exceeded the expected improvement in productivity and efficiency, then rational organisations would not invest in HC.

However, the view that internal recruitment enhanced productivity and efficiency contradicted Human Capital Theory (Schultz, 1961). Human Capital Theory was associated with the enhancement of productivity through investing in HC (Becker, 1964; Flamholts & Lacey, 1981; Marginson, 1989; Schultz, 1961). Yet, in this study, Banks A and D attempted to enhance productivity and efficiency not through investing in HC but through eliminating such investment costs.

6.2.2 Ensure banks' survival

Organisations adopt many strategies for coping with the changes in the business environment in order to survive (Beliveau & Bernstein, 1997) and specifically, in the knowledge intensive organisation, one strategy was the use of employees and their creative ideas (Cefis & Marsili, 2005; Giovannetti, Ricchiuti, & Velucchi, 2011; Naidoo, 2010). Similarly, the business environment in Sri Lanka has also faced many structural, economic and political changes during past decades, for

example, the prolonged armed conflict between the Government and Tamil rebels⁷, the tsunami disaster (UNDP, 2012a) and the financial downturn (Hemachandra, 2011), in addition to high competition in the industry itself. In terms of competition, respondents stated that there were a large number of banks operating in Sri Lanka. The CBSL currently lists 24 banks as operating in the country and there may be as many as twenty branches of a bank in the largest urban areas (Webster & Muller, 2000). To survive, in this competition, banks noted two strategies: use of employees' innovative ideas and engaging with stakeholders and creating value for them.

It appeared that banks competed with one another to attract more customers in order to survive in the highly competitive and changing environment; thus, they offer something different and unique. In this case, banks have to use employees and their creative ideas.

Their suggestions and involvement are critical to the day-to-day running ... of the business. (Respondent A1)

We need the best group of people to survive in this business (Respondent C3)

The bank's survival is dependent on our people (Respondent D4)

The survival of the fittest theory, originating with Charles Darwin in the 19th century and relating to the evolution of the species (Thomas, 1996), can be used to explain why some organisations survive and others collapse. Accordingly, those organisations that change survive (Gimeno et al., 1997; Thomas, 1996). As noted in previous studies, positive economic performance (Alchian, 1950; Friedman, 1953; Williamson, 1991) and HC (Criaco et al., 2014; Gimeno et al., 1997) is a critical factor that helps organisations to survive and Banks A, C, and D appeared to use HC to survive.

Further, banks also mentioned that they used HC to engage with a diverse set of stakeholder groups and created value for them in order to ensure their survival in the industry. The relationships among these three variables (HC, engaging with a diverse set of stakeholder groups and creating value for them, and ensuring banks' survival) are described in the paragraphs below.

First, in providing comments on the importance of HC in engaging with stakeholders and creating value for them, Banks A, B and C stated:

⁷ The Liberation Tigers for Tamil Eelam (LTTE) fought for a separate state called "Tamil Eelam" from 1983 to 2009. Government forces defeated the LTTE rebels in mid-2009 through military operations and capturing all the land belonging to their de facto state for more than a decade (Thilakaweera, Harvie, & Arjomandi, 2014)

The core is human. A Company can add value only through employees.
(Respondent A1)

In this process, the culture of the Bank is a great enabler, providing a conducive environment for learning and development, where employees can equip themselves with the required knowledge, competencies and attitudes to create value. (Annual Report, Bank B, p. 24)

We engage with our diverse stakeholders to ensure that the decisions we make add value to them ... (Annual Report, Bank C, Page, 109)

As stated in the comments above, HC was the resource that had the ability to understand the different expectations of stakeholders and act accordingly to fulfil them. For example, the Annual Report of Bank A reported that the expectation of shareholders was enhancement of the financial value for shareholders (p.400), while bank B mentioned that society at large needed to improve access to financial services for disadvantaged people (p. 17). Thus, it was critical to understand stakeholders' expectations and fulfil them in order to create value because banks believed that the future of the bank depends on these stakeholders. Therefore, it is clear that it is only via HC that banks can understand these requirements. Although the banks in Sri Lanka emphasised that HC was a mechanism to secure this understanding and create value for stakeholders, no previous studies can be found that addressed it (Dawkins, 2014; Laplume, Sonpar, & Litz, 2008; Phillips, Freeman, & Wicks, 2003).

Second, the importance of employees engaging and creating value for stakeholders is that it helps stakeholders to ensure the survival of the banks. For example, Respondent B5 expressed that the bank's HC is important to provide personalised service to each and every customer for survival.

We are dealing with customers and we are the people who bring profits to the company. If we can't canvas customers and deal with them successfully, if we can't do the operation part correctly, how can the entire bank survive?

Similarly, Bank C provided the role of HC in surviving in a competitive environment.

We are privileged. Our employees are the best in all areas. But still we have to be very vigilant and inquisitive about what competitors basically do. Otherwise, how can we survive? (Respondent C1)

In supporting this view, Freeman (1984) stated that stakeholders were "vital to the survival and success of the organization" (p. 58). Freeman, Harrison, and Wicks (2007) stated that stakeholder engagement and creating value was crucial for survival because businesses operated in conditions of great uncertainty.

6.2.3 Adhere to compliance requirements

The banking sector in Sri Lanka is bound by a body of legislation in order to safeguard the banking system and the customers who interact with it (Hossain, 2012). Bank C commented in this regard that:

We are governed by certain directions. We are dealing with the regulators because as a bank, we have to deal with the Central Bank, Inland Revenue Department, Department of Labour, and the Securities Exchange Commission. Internal regulations and standards are also there.
(Respondent C1)

As Respondent C1 remarked, compliance was both internal, to the bank, and external, to the industry and wider society. Internal compliance was imposed by the bank itself, for example, they had internal policies for recruitment and whistle blowing, while externally, compliance was imposed by external regulatory authorities, such as the Central Bank of Sri Lanka (CBSL), the Exchange Commission and the Department of Labour. Among these regulators, the CBSL was critical because it acts as the supervisory body of the financial system, which includes banking and thus, the CBSL directly and strictly controls banks' actions. This was noted by Respondent D3;

That is why as a regulator, the central bank monitors and controls the banking system. If they don't do it, banks can do whatever they want and people who work here can play games with public money.

Banks highlighted many regulations and directives issued by the CBSL relating to HC, for example, Respondent B1 noted that:

There is a regulatory aspect in recruitment to the higher positions. We need to make sure that such employees fulfil the required educational levels. This is a Central Bank requirement.

A similar view was provided by Respondent D3 as:

We have to comply with certain requirements to recruit top levels. First, we have to have a 'fit in top people test'. So, we have to check that the relevant department has done the recruitment according to that procedure. Other than the 'fit in top people', the same procedures are applicable to every level regardless of their grade. Here, the regulators are involved in only the top level. The lower level recruitment is covered by internal compliances.

Thus, it is the bank's responsibility to recruit the right personnel to the relevant position. Banks are required to report to the CBSL on the qualifications of higher level personnel at the time of appointment and need to adhere to internal compliances in the case of lower level recruitment.

In addition, banks have to establish succession planning. For this, banks train and develop each employee from the trainee level to the highest position of Chief Executive Officer. For example, the respondent for Bank B described the extent to which they practised succession planning:

As I did mention to you the real example is our MD. He joined ... (name of the bank) bank as a banking trainee and acquired all the required knowledge, experience and exposure improving HC. Today he is managing this organisation. (Respondent B1)

Banks provide careers for their employees, not just through training and development, but also by identifying the strengths and weaknesses of employees and then grooming them to fit into the highest positions through properly implemented succession planning. However, it was revealed that, although banks implemented a succession plan with the intention of motivating employees through providing for career success, it was also a compliance requirement imposed by the CBSL. As Respondent A3 remarked:

Succession planning is not only a regulatory requirement; but a motivational factor. When we disclose our plan for succession planning, that is a hint of how we develop our people to go up their carrier ladder.

Respondent B5 added that it was:

A regulatory requirement to identify and groom people to upper positions. In other words, succession planning is (a) regulatory requirement.

Accordingly, it was noted that the banks in Sri Lanka are controlled by a number of regulations that go beyond mere financial performance. Surprisingly, it was noted that HC is critical in adhering to other regulations imposed on banking activities. For example, as Respondent D3 stated:

... the central bank has directed that as a bank we are required to recruit and maintain suitable staff. Here, the definition of 'suitable staff' is not given in the direction. Suitable staff means that all employees should know what is happening in the bank. It is not an excuse to say 'I didn't know'. For an example; let('s) say lending. That means we are giving loan facilities to customers. So, the Central Bank says that if the loan is overdue for a period of 3 months that loan should be considered as non-performing, and we need to take the necessary actions. Here, the Central Bank doesn't tell us anything about employee relations, but indirectly says we should have the knowledge and the sense to identify the issue and take the necessary actions.

The quote above highlights the requirement that employees should be aware of regulatory requirements and if employees did not know or did not understand how to adhere to

regulations then there was a higher likelihood of them misusing information. For example, not knowing how to maintain confidentiality, what factors lead to risk, or how to correctly make transactions, opens the entire bank not only to higher risk, but also to facing a greater risk of breaching the law and to charges that may be imposed by regulatory bodies. As Respondent A2 stated:

If they find out the details we gave are incorrect they take immediate actions such as calling the relevant person and doing the needful such as imposing penalties. Finally they can suspend the licence as well. So, complying with all directions is a must.

The above views provided evidence of the extent to which HC is important in adhering to compliance requirements. Or in other words, HC contributes to banks acting as a legalised corporate body. In this study, the CBSL and other regulatory authorities represented a powerful group in society; thus, banks appeared to use HC as a means of sustaining and legitimising the arrangements with such groups (Cadman, 2013).

6.2.4 Achieve long term success

It appeared that for the banks interviewed in Sri Lanka, HC was one significant factor in the process of business success. The following comments provide evidence for this view:

Their suggestions and involvement are critical to the day to day running as well as the long term success of the business. (Respondent A1)

They have such knowledge, capabilities and leadership to drive this company to achieve sustainable success. (Respondent B3)

Banks A and B specified HC attributes, such as innovations, suggestions, knowledge, capabilities and leadership skills as driving banks towards long term success. Further, Bank C and Bank D noted in the below comments that the ability to build relationship with stakeholders and marketing skills to attract, maintain and improve the customer base leads to long term success.

Therefore, the ability of employees to build relationship with stakeholders is vital to ensure the long-term success of the Bank. (Respondent C3)

We are bankers. We have to earn profits in order to make sure of sustainable success. That is an expectation of our shareholders. We should not stay until the customers come to us. We have to go to them. Employees need to have marketing skills to attract, maintain and improve the customer base. A strong customer base is a base for long term success. (Respondent D4)

The view that HC does matter for success is consistent with Galbreath (2005) who suggested that firms' success largely depended on resources that were rare, inimitable, valuable and non-substitutable (Galbreath, 2005). HC was also noted as a resource which possessed the above characteristics (Memon et al., 2009; Rastogi, 2000; Wright, McMahan, & McWilliams, 1994).

Other than the above HC attributes, Bank A further provided an insight into the possibility of achieving business success through enhancing the reputation based upon employees.

We believe the award is a platform for success. The award is given for endorsing the positive contribution the company makes. It is evidence about expertise in that particular area. It is about benchmarking as well as the corporate reputation. (Respondent A3)

Other banks provided supporting evidence for Respondent A3's view stating how they use HC to enhance reputation. Accordingly, there was an emerging tendency in Sri Lanka to organise an annual competition that assessed HC practices in organisations. Different groups of institutions organised these events, for example the Association of Human Resource Professionals (HRP) organised the HRM Awards in 2014 to recognise best practices in Human Resources (HRP, 2014). Similarly, Bank B noted that the Association of Human Resource Professionals and the Association of Human Resource Professionals, in partnership with Aon Hewitt, a global HR consultancy firm, provide recognition for superior bank performance.

Bank of Ceylon PLC was one of the ten leading corporate entities to be awarded Gold at the 2012 National HRM Awards presented by the Association of Human Resource Professionals in partnership with Aon Hewitt, a global HR consultancy firm. This is the third consecutive instance in which the Bank has won a Gold Award under the new criteria set for the awards since 2007. The HRM Awards assess, recognize and felicitate the best Human Resource Management systems and processes among corporate entities of the country. The involvement of a firm of the calibre of Aon Hewitt and a distinguished panel of judges provides the evaluation process with more independence, transparency and acceptance. (Website, Bank B)

These institutions assess the positive contributions made by the bank to the HC field, such as overall excellence in all spheres, employee engagement, and the quality of their HC management. Related comments were:

The award is given for endorsing the positive contribution the company make(s). It is evidence about expertise in that particular area. (Respondent A3)

Awards assess, recognise and felicitate the best Human Resource Management systems and processes among corporate entities of the country. (Annual Report, Bank B, p. 272)

I want to tell you something about our 'inner circle'. This is a very innovative idea. We have proven that our innovativeness is not second to other banks by winning an award. (Respondent C1)

Thus, banks appear to take the fullest effort to develop the above employee related fields such as human resource management systems and innovativeness to show that they have the best HC practices. This development effort is usually done with the help of expertise in order to raise the standard to the expected level and fulfil the criteria for the awards. Respondent B3 commented on this:

Winning an award is not easy. We need to prove that we have better HR than others. So, we always try to set our standards according to the international level. So, this resulted in a lot of positive changes in the company. Obviously employees take benefits from those newly implemented systems. We implement these changes with the help of expertise. As an example, our library system. Those systems directly raise our employees' knowledge, values, and competencies. (Respondent B3)

The process of preparing to achieve awards uplifts the HC management practices, which in turn ensure the bank's success. However, no evidence was found supporting this view on the mediating effect of enhancement of reputation between HC and long term business success.

6.2.5 Enhance business performance

Enhancing business performance in a bank, including both financial and non-financial performance, was seen as a reason for securing a pool of good HC and banks also commented on how they used HC to enhance their performance.

First, it was mentioned that HC was vital in enhancing financial performance through attracting more customers. For example, respondents specified that:

[Human capital is] needed to attract customers and show them the bank has the most valuable people to serve them. We need human capital to safeguard the wealth of shareholders. Ultimately without those types of people nobody will come to our bank. Ultimately it affect our P & L. (Respondent A2)

We are bankers. We have to earn profits. That is an expectation of our shareholders. We should not stay until the customers come to us. We have to go to them. Employees need to have marketing skills to attract, maintain and improve the customer base. (Respondent D4)

As Banks A and D noted, customers come to the bank where they receive better service, which means that banks should treat each customer with the utmost respect. For this purpose, banks, as a knowledge intensive organisation, appeared to depend on HC with especially strong marketing skills to attract, maintain and improve customers. More customers meant higher financial returns to the bank. Previous research has provided broad evidence in support of the above relationship between HC and the financial performance of firms (Boudreau, 1991; Huselid, 1995; Jones & Wright, 1992; Kleiner, 1990).

Expanding on these views, banks in Sri Lanka further highlighted the ability of HC to influence non-financial performance. As reported in the Annual Report of Bank A:

We have prioritised their training and mentoring to ensure that our values such as honesty and integrity and the spirit of innovation are passed on and their technical skills are regularly updated and enhanced to enable performance at desired levels. (p.25)

Similarly, Respondents C and D also commented that:

Training gives you knowledge and skills and ultimately it enhances the performances. (Respondents C1)

So, educational, conceptual, technical and practical knowledge, all these need to combine with one another for a better contribution. (Respondent D2)

As stated above, the Sri Lankan banks provided the required training to employees, as they believe that they can develop the performance of individual employees. Development of employees then results in expertise in particular areas, and such expertise may then be used in improving business processes. The link between HC and non-financial performance was also well recognised in the literature (Hitt et al., 2001; Marimuthu, Arokiasamy, & Ismail, 2009; Youndt, Snell, Dean, & Lepak, 1996).

More importantly, it was revealed that the ability of HC to achieve advantages over competitors also helps in enhancing the performance of the bank. The relationship between these three concepts: HC, competitive advantage and firm performance, was stated in a Resource-Based View perspective, which provided an economic foundation for examining the role of HC in gaining a competitive advantage (Barney & Wright, 1998). Accordingly, if the firms' resources were valuable, unique and difficult to reproduce and deliver, that was the basis for their competitive advantage (Barney, 1991; Barney & Wright, 1998) which, in turn, enhanced the performance (Barney & Wright, 1998; Peteraf, 1993). Holding a similar view,

banks commented that they achieve competitive advantage based upon HC, which in turn enhances their performance. Related comments include:

One thing that our bank believes is that a well-trained human asset is a distinct competitive advantage for sustainable business performance.
(Respondent B4)

If we can achieve competitive advantage we can earn superior business performance. (Respondent C3)

Supporting the above comments, Respondents A4 and B1 explained how they achieve competitive advantage through HC. As noted in the interviews with Bank A in the comment below, customers usually compared banks in the industry before they deposited their money because everyone in the industry provided similar products and services. It was rational for customers to choose the best option to invest in.

If we have the correct people, it is a kind of an indirect invitation to investors to invest in our bank over the other bank. Sure, especially, long term investors look at skills and competencies of the management of the bank before they invest. I don't say that we are the only bank publishing about our top people. We all do but Investors have an opportunity to compare management and their profiles with the rivals and choose the best. (Respondent A4)

Bank A appears to believe that HC made the difference in banks; thus, customers looked at the HC of the bank when comparing alternatives. As Respondent B1 comments, if a bank has a good pool of HC, customers know that they will get superior service, which helps banks attract more customers than their competitors.

We are the leading private bank in Sri Lanka. In order to maintain this position we need resources with competitive advantage. At the same time we have to compete with strong government owned banks in Sri Lanka too. So, as a service oriented company the only resource we can utilise for this is our unique employees.

Thus, in the case of banks in Sri Lanka, the essence of competitive advantage is the ability of HC to create and sustain more value to customers than competitors in a competitive environment. This allows Sri Lankan banks to attract and retain customers over their competitors which, ultimately, enhances performance.

However, unlike the other three banks, Bank D provided a further insight into why business performance really matters. Accordingly:

We are bankers. We have to earn profits. That is an expectation of our shareholders. We should not stay until the customers come to us. We have to go to them. Employees need to have marketing skills to attract, maintain and improve the customer base. (Respondent D4)

The above comment showed that the ultimate purpose of Bank D was to enhance performance, especially financial performance, in order to fulfil the expectations of shareholders. Specifically, management appeared to be using their HC effectively by giving them the necessary skills in order to attract, maintain and improve a good customer base because it undoubtedly brought more profits to the bank. This was in line with the Stewardship Theory (Donaldson & Davis, 1991). Thus, managers always attempted to maximise shareholders' returns. Banks' managers were motivated to take every action to provide the best return for shareholders and this is clearly indicated in the quotation:

We should not stay until the customers come to us. We have to go to them.
(Respondent D4)

After establishing an understanding of the Sri Lankan context, the next section provides an understanding about why the banking sector in New Zealand also needs HC.

6.3 New Zealand

In terms of why New Zealand banks need HC, this study found four reasons: 6.3.1. Achieve competitive advantage, 6.3.2. Achieve long term success, 6.3.3. Enhance business performance, and 6.3.4. Enhance efficiency and productivity (Refer to Figure 6-2 below). The banks' views on each of these reasons are presented in this section. Further, this section discusses the findings and shows to what extent the findings are concurrent and contradictory with the literature and unique to this study.

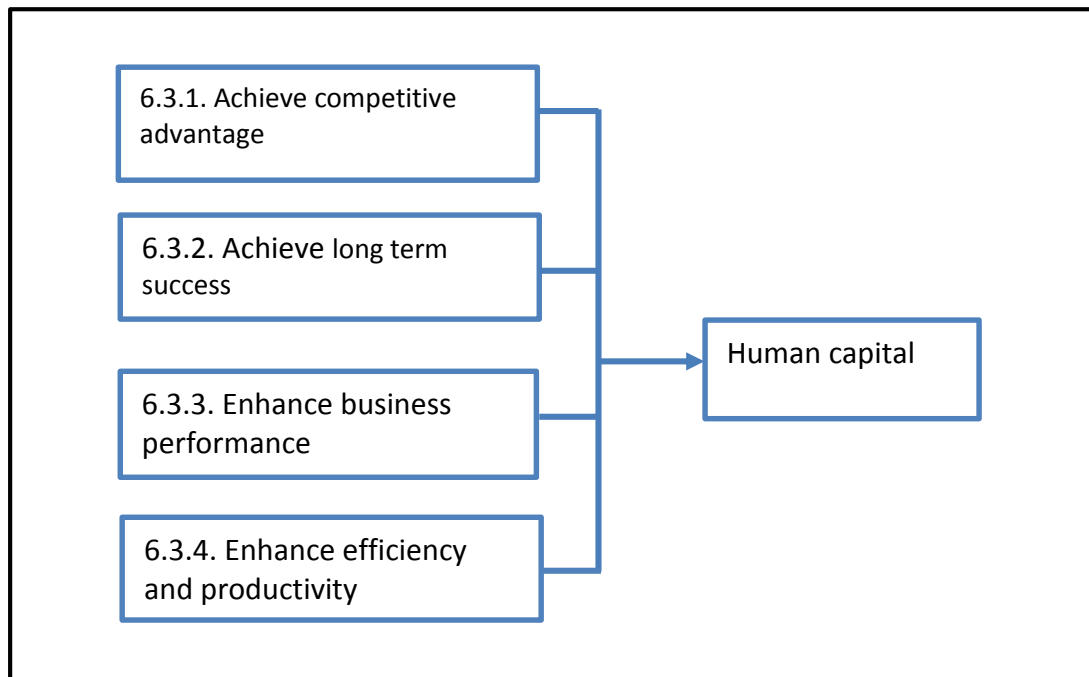


Figure 6-2: Reasons for the significance of human capital in New Zealand

As stated in the Sri Lankan findings (Section 6.2), these themes were also identified as distinct themes, because this study generated the themes that emerged from the interview data and triangulated with data from secondary sources (rather than based on previous evidence) which did not provide insight into such relationships.

6.3.1 Achieve competitive advantage

Previous research identified that banking is a highly competitive industry (Hull, 2002; Kaynak & Kucukemiroglu, 1992) and referring to New Zealand, Cohen, Gan, Yong, and Chong (2007) noted that the banking industry remains competitive. It appears that Bank G also holds a similar view and Respondent G1 provided evidence for this.

I think there are four major banks in New Zealand. At the end of the day our product is nearly similar. There is very little we can compete on in terms of product but it's definitely our employees that make the difference.

There are twenty five banks operating in New Zealand and the majority of them are foreign owned (Hull, 2002). However, as stated in the above comment, only four banks make the industry highly competitive. All the banks offer similar financial intermediation and payment services and products with similar characteristics, thus, differentiating one bank from another was not an easy task. Supporting Bank G's view, Hull (2002) stated that New Zealand banks offer narrowly diversified

products and services. Cohen et al. (2007) noted that they offer nearly identical products, therefore banks remain competitive to retain their customers.

As Bank G stated, in this case, the only factor that was likely to create and maintain a separate identity for the banks was HC. The view that HC was a key source of competitive advantage in the banks in New Zealand was generally recognised by the interviewees and supported by statements extracted from secondary sources. For example, websites and annual reports provided evidence that the banks understood the role of their people, their collective HC.

We will continue to invest in and develop our people because it is these individuals, collectively, with their courage and their passion that differentiate the ... (name of the bank). (Annual Report, Bank G, p.7)

Living our values every day is integral to achieving our vision. They reflect what is great about ... (name of the bank). (Website, Bank H)

Our competitive edge and adaptability lie in our collective strength of experience, skills and culture that each of us brings to our bank. (Website, Bank J)

Achieving a competitive advantage through HC is well recognised in the literature and, as suggested in Resource Based View Theory, if an organisation possesses resources that are valuable, rare, inimitable and that cannot be strategically substituted, the organisation will have to sustain a competitive advantage (Barney, 1991; Newbert, 2008). Barney (1991) categorised resources into three groups: physical capital resources, HC resources, and organisational capital resources and research has confirmed that HC is the key source of competitive advantage (Memon et al., 2009; Wright et al., 1994) because it is embedded with the above four characteristics.

As noted in the interviews, HC can help in achieving an advantage over competitors, by enhancing its reputation through achieving awards (Cravens & Oliver, 2006; Dhalla, 2007), a fact supported by nearly all New Zealand banks and demonstrated in this section.

Similarly to Sri Lanka, in New Zealand also there is an evolving trend to organise annual competitions recognising the best HC practices in organisations, for example CANSTAR Blue's Most Satisfied Customers Award (Annual Report, Bank H), Roy Morgan's Major Business Bank of the Year Satisfaction Award (Annual Report, Bank H), the Australian Business Award for Product Innovation (Annual Report, Bank G), the award for exceptionally superior and consistent customer service by Napier Inner City Marketing (Newsletter, Bank K), the Randstad Award for best career progression opportunities (Website, Bank J), and the Women's Empowerment Benchmarking for Change Award

(Annual Report, Bank J). These competitions assess criteria such as outstanding customer service, best career progression, innovative ideas and efforts to enhance diversity. For example:

... also delivered award-winning products, including 'Corporate Evergreen', an innovative tool to manage working capital flexibly. The product won the 2013 Australian Business Award for Product Innovation. (Annual Report, Bank G, p.13)

Similarly, Bank J reported in their case study that:

... over the last few years, national media have done a good job of highlighting the vulnerability of senior New Zealanders; in particular their susceptibility to scams. We have a dedicated team member who has seen first hand the impacts of financial abuse on our customers. It's something we take very seriously. We have been actively advocating and working with Age Concern organisations around the country to protect those most at risk. This work is making a big difference, and was acknowledged with an award presented at Parliament in 2013. (Case study, Bank J, P. 25)

Additionally, enhancement of reputation seems vital to banks because it leads to them achieving advantages over their competitors as the following respondent states:

We are talking about competitions, competitive advantage. At the same time we believe in the importance of our employees in this competition. This is evidence that the ... (Name of the bank) Bank celebrated winning the Financial Institution of the Year 2011 and 2012 for the second time at the recent Roy Morgan Customer Satisfaction Awards. It won the customer service award by beating an impressive line-up of competitors, including the big Australian banking groups. (Respondent K1)

As the respondent in Bank K argued, HC in the bank plays a vital role in the competitions and thus the bank won two awards: the Financial Institution Award in 2011 and the Roy Morgan Customer Satisfaction Award in 2012 in competition with the big Australian banks in the industry. This implies that from Bank K's point of view, winning awards based on HC enhances the bank's reputation, which can lead to competitive advantage. Providing a similar view, Bank J reported that:

In 2013, ...(Name of the bank) was acknowledged and presented with the UN Women and United Nations Global Compact Women's Empowerment 'Benchmarking for Change' Award. In these inaugural awards(Name of the bank) was honoured to be one of only five companies recognised globally as leading the way in empowering women in the workplace. (Case study, Bank J, p. 40)

Bank J was rewarded for its effort on women's empowerment (this study recognises it as diversity) in the workplace, which not only enhances the reputation of the bank, but also gains it a competitive edge as being one of only five companies in the world that lead the way in empowering women.

Emphasising the link between reputation and sustainable advantage, Flatt and Kowalczyk (2008) documented that reputation was an intangible asset that was used by firms to achieve a competitive advantage. Further, the link among three variables: enhanced reputation, HC, and competitive advantage, is also consistent with previous studies. Cravens and Oliver (2006) provided conceptual evidence that HC plays a significant role in corporate reputation in which management can accomplish corporate strategic objectives and generate a sustainable competitive advantage.

Achieving a competitive advantage means the organisations had many capabilities over their competitors, such as lower prices, higher quality, shorter delivery time and dependability (Li, Ragu-Nathan, Ragu-Nathan, & Rao, 2006). These capabilities drive an organisation to the highest level of performance (Mentzer, Min, & Zacharia, 2000) and accordingly, competitive advantage has the ability to generate excess returns over other competitors (Russell & Millar, 2014) and excess returns for shareholders of an organisation (Barney & Wright, 1998; Peteraf, 1993).

6.3.2 Achieve long term success

As the previous studies suggested, HC is a rare, inimitable, valuable and non-substitutable resource (Memon et al., 2009; Rastogi, 2000; Wright et al., 1994), which drives a firm's success (Galbreath, 2005). It appears that banks in New Zealand also hold a similar view as secondary data also provided the evidence for the critical role that HC plays in achieving the business success of banks in New Zealand as follows:

Each member of our 36,000-strong team plays a part in our vision to be one of the world's great companies. Our people are central to our success and we're focused on making the ... (name of the bank) the place where the best people want to work. (Annual Report, Bank G, p.16)

We're looking for people who share our values of caring, passion, integrity and ambition to be involved in a business that is inspired by success. (Website, Bank H)

Further, banks also mentioned that they used HC to engage with a diverse set of stakeholder groups and create value for them in order to achieve the success of the bank. This is detailed in the paragraphs below.

First, emphasising the association between HC and the engagement with stakeholders, banks noted that HC was one strategy that the banks used to engage with stakeholders, including investors, analysts, employees, consumer advocate groups, community groups, customers, and create value for them. For example, respondents said:

We are all aware that if we have high levels of employee engagement, we have better customer experiences, we sell more and therefore we make more money. So that is an example of where we can do more to create more value for shareholders. (Respondent H1)

Employee engagement with stakeholders helps to understand expectations, identify emerging issues and opportunities and create value for a variety of stakeholder groups. (Respondent J1)

The Board recognises that a diverse and inclusive workforce is not only important for employees but is also central to the Bank's ability to create and sustain value. Increased diversity in people generates diversity in thought, greater innovation and stronger decision-making. (Annual Report, Bank J, p. 5)

The first quotation showed the ability of HC to engage with customers by providing service to create value for shareholders (via profit maximisation), while the second quotation highlights the importance of employee engagement to interact with stakeholders and create value for them by understanding diverse expectations. The third quotation highlights the association between diversity and an inclusive workforce and value creation.

The banks' view on creating value for stakeholders through HC is consistent with a previous study by Diez, Ochoa, Prieto, and Santidrian (2010) who found that HC was the principal source of value creation. However, the view of use of HC to engage with stakeholder groups is not supported in previous studies. Lack of empirical evidence on the relationship between HC and stakeholder engagement is documented in the literature (Dawkins, 2014; Laplume et al., 2008; Phillips et al., 2003).

Second, in terms of a relationship between stakeholder engagement and success, Bank J commented that the bank makes the utmost attempts to engage with stakeholders and add sustained values through identifying and fulfilling individual stakeholders' interests to achieve the bank's success.

We know that connecting with our many stakeholders is a key driver of success. It helps us to understand expectations, identify emerging issues and opportunities and create value for a variety of stakeholder groups. (Annual Report, Bank J, p. 26)

This view supports previous evidence. Stakeholder groups have the power to influence the organisations' activities, so maintaining a healthy relationship with stakeholders is critical to organisational long term success (Freeman & McVea, 2001). Kaplan (2003) stated that employee engagement with customers was critical for business success. Bill (2007) argued that although conventional wisdom said that organisational success created engagement, what really happened was that engagement was an indicator for business success.

6.3.3 Enhance business performance

As in Sri Lanka's findings, enhancing business performance in a bank, including both financial and non-financial performance, was seen as a reason for securing a pool of good HC. It appeared that banks placed an increasing emphasis on HC to accomplish better performance. For example, Bank J reported that, as other stakeholders, employees help to sustain a positive contribution.

We also have a huge opportunity to use our influence to educate and empower our people, customers, communities and supply chain, so they can also deliver sustained positive outcomes. (Website, Bank J)

Referring to different ways of enhancing performance, first, the respondent noted that the HC was vital in enhancing, in particular, financial performance through engaged employees, for example:

We were all aware that if we have high levels of engagement, we have better customer experiences, we sell more and therefore we make more money (Respondent H1)

Further, we encourage them to engage with the social activities. Sometimes it may bring more business to our bank for example. (Respondent J1)

... (Name of the bank) Bank knows a winning strategy, a performance-driven workplace, taking personal responsibility to deliver banks' commitments, and an emotionally engaged team will sustain superior performance. (Website, Bank K)

Second, Banks J and H mentioned that to achieve a higher-level performance, New Zealand banks have to use their diverse, innovative and best pool of HC.

We believe our strategic focus on leadership and innovation positions us well to achieve sustainable revenue growth. (Media, Bank H)

For us diversity is about creating a high performance, inclusive culture. One that attracts and retains the best people, responds more quickly and effectively to customers' needs, is innovative, dynamic and drives higher performance (Website, Bank J)

It had to examine the compelling argument that diversity within organisations leads to better decision-making, innovation and better returns. (Case Study, Bank J)

Third, it was mentioned that HC was vital in enhancing financial performance through attracting more customers. For example, respondents specified that:

Work together as one team to deliver the best outcome for customers and the best outcome for the organisation. This includes further strengthening our customer-centric, high performance culture and enhancing the diversity and wellbeing of our workforce. (Annual Report, Bank G, p. 9)

We were all aware that if we have high levels of engagement, we have better customer experiences, we sell more and therefore we make more money (Respondent H1)

One that attracts and retains the best people, responds more quickly and effectively to customers' needs, is innovative, dynamic and drives higher performance. It makes sure we reflect the communities in which we operate and the diverse customer base we serve, which ensures we remain relevant to our customers. (Website, Bank J)

The use of HC could be to provide better and faster service to customers to fulfil their expectations, to achieve the banks' commitments and to be involved with the community to attract more business. For example, as Bank J noted, customers have many expectations, such as wanting their expectations to be understood, to be attended to by competent employees, to be served reasonably, and they want the staff to consider their individual circumstances and fulfil their expectations. As Bank J specified, banks appeared to believe that they can enhance performance through meeting their customers' expectations. When customer service leads to the accomplishment of the customer's expectations, this then led to more deposits for the bank. Confirming this, Bank H stated that the banks can sell more and make more money if they have customer experience; thus, it was clear that banks' focus on HC is due to its implications for the banks' performance, including their bottom line (financial) as well as their (non-financial) performance. This view is consistent with much previous research (Boudreau, 1991; Hitt et al., 2001; Huselid, 1995; Jones & Wright, 1992; Kleiner, 1990; Marimuthu et al., 2009; Youndt et al., 1996). In addition, Bank J stated why the bank was required to achieve their performance:

A diverse workforce encourages fresh thinking, new perspectives and better decisions leading ultimately to better returns for shareholders. (Website, Bank J)

Accordingly, the motive of the bank is to achieve a higher level of performance and to provide the best interest to the shareholders, as stated by the Stewardship Theory (Donaldson & Davis, 1991). Thus, banks appear to be using their HC effectively to ensure maximum returns for shareholders.

6.3.4 Enhance efficiency and productivity

When the researcher inquired about why HC is important, Respondent K promptly stated that "because, for efficiency." The reason was that it was necessary for banks to accomplish their objectives such as achieving planned competences, going to the global market, and to be benchmarked.

If we are planning to achieve the competency and planning necessary to go out to the global market and if we want to benchmark, especially globally,

then we have to know what we have. What kind of people we have and what their skills are and what values they bring to the company.
(Respondent K)

A similar view was provided by Bank G reporting that the financial sector remained a challenge so therefore, the banks had to enhance their efficiency and productivity in order to strengthen their financial position.

While we continue to build the business, the financial services environment remains challenging and has required us to maintain a focus on strengthening our financial position, while at the same time improving efficiency and productivity. (Annual Report, Bank G, p. 8)

Thus, from the perspective of Banks K and G, enhancing efficiency and productivity is vital to them. In terms of how banks enhance efficiency and productivity, similarly to the Sri Lankan findings, Banks G and J identified different HC attributes in achieving this, which included innovativeness and diversity. Bank G reported that diversity enhances productivity.

We believe diversity, flexibility and inclusiveness are vital to improving the quality and productivity of our workforce. (Annual Report, Bank G, p. 17)

As stated in Section 5.3.2, earlier, diversity was a significant attribute of HC for banks in New Zealand. All banks recognised that their employees comprised a mix of personnel of different genders, nationalities, cultures, ages, and with differing perceptions. As banks further noted, diversified employees contributed to the bank in many ways due to their potential to think differently. The banks seemed to engage with employees to motivate different thoughts and perspectives because this resulted in innovative solutions to problems, which improved the business process. Bank J noted that:

... through an initiative called [name of bank and programme] we have a program that empowers our people to make continuous improvements to their day-to-day activities – we are proactively working towards improving our customers' experience and our internal productivity. (Annual Report, Bank J, p.17)

Technology and innovation are key priorities for the Board; we recognise that they pursue sustainable efficiency and productivity improvements.
(Respondent J)

Thus, banks remained committed to managing the diversity and innovativeness of HC in order to pursue sustainable productivity improvements and business efficiency. The linkage between HC and efficiency and productivity accord with previous findings (Apergis, Economidou, & Filippidis, 2009; Sharma, 2014).

The findings presented with regard to the two countries are compared in the following section.

6.4 Comparison of the importance of human capital between Sri Lanka and New Zealand

The comparable situation concerning the importance of HC in the Sri Lankan and New Zealand banks is illustrated by Figure 6-3 below. It appears that three reasons: enhance productivity and efficiency, achieve business success, and enhance business performance, are common in both banking contexts. Meanwhile, three others (ensure banks' survival, adhere to compliance requirements, and achieve competitive advantage) were found to be a little different between the countries.

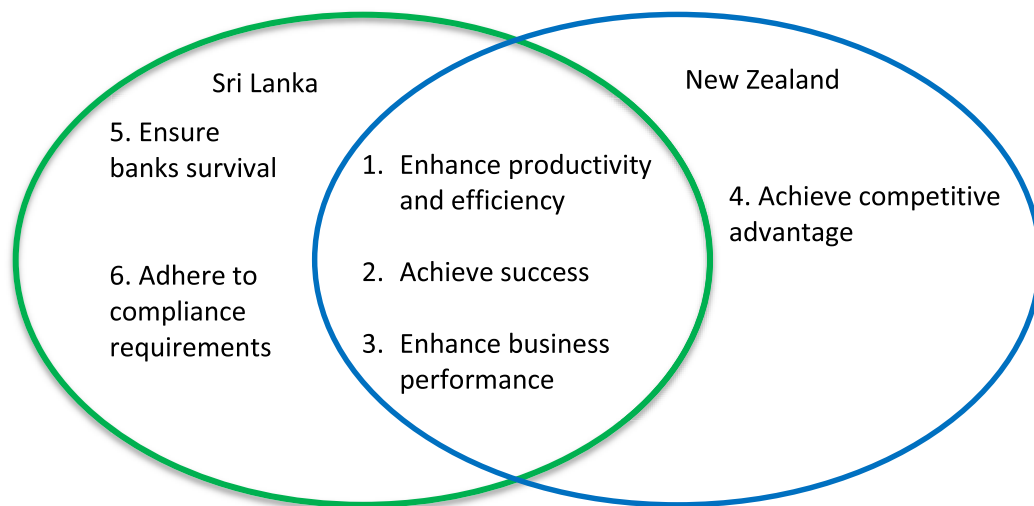


Figure 6-3: Comparison of the importance of HC in Sri Lanka and New Zealand

However, it should be noted that out of the two themes that were identified as unique to the Sri Lankan context, one theme, adhere to compliance requirements, was included in the coding process of New Zealand (Refer to Appendix B). Similarly, the theme, achieve competitive advantage, appeared to be unique to the New Zealand context, but it was also included in the coding process of Sri Lanka (Refer to Appendix A). Thus, these two reasons (adhere to compliance requirements and achieve competitive advantage) were considered as similarities rather than differences. After elimination of these two themes, only one difference: ensure the survival of the banks, in the context of Sri Lanka, was observed. First the similarities and then the differences are presented in the following paragraphs.

Enhancing productivity and efficiency via HC was recognised as important by banks in both countries; however, the way they achieved them was quite different. The New Zealand banks

mentioned that employee diversity and innovative ideas enhanced efficiency and productivity while Sri Lankan banks specified it could be achieved through investment in improving employees' physical and mental fitness and internal recruitment. The latter mechanism of Sri Lanka, was internal recruitment, which was absent from the New Zealand context and contradicted Human Capital Theory. However, in supporting the banks' views, Lepak and Snell (1999) stated that organisations' decisions about whether they invested in HC or not, depend on the possibility of exceeding enhanced productivity over investment costs. Thus, rational organisations would not invest in HC if the costs associated with the investment exceeded the expected improvement from productivity and efficiency.

Banks in both contexts revealed that HC is vital in achieving success, which was supported by previous studies stating that firms' success largely depended on their unique HC and that was rare, inimitable, valuable and non-substitutable (Galbreath, 2005; Memon et al., 2009; Rastogi, 2000; Wright et al., 1994). However, the strategies that banks use to achieve success is quite different. Sri Lankan banks noted that they achieved success through enhancing their reputation; more specifically, they mentioned that HC was one way of achieving awards, which helped in recognising the name of the bank. New Zealand banks use their HC to engage with stakeholders and create value for them to help achieve business success.

Banks in both countries agreed that they enhance financial and non-financial performance via HC and especially, the Sri Lankan banks interviewed noted that the ability of employees to achieve competitive advantage enhanced business performance which was absent in the New Zealand context.

The next similarity, achieve competitive advantage was found to be common between the two countries. The majority of the banks in the industry operated in a similar capacity; thus, they offered similar products and services to customers, which can easily be copied by other banks. The only resource that banks had to differentiate themselves from other banks was HC. As previous studies demonstrated, HC is a resource with the characteristics of being valuable, rare, inimitable, and cannot be strategically substituted and thus a source of competitive advantage (Barney, 1991; Newbert, 2008).

Adherence to compliance requirements was also identified as a reason for banks in Sri Lanka to believe that HC was important. Accordingly, banks appeared to be bound by much internal and external legislation to safeguard the banking system and customers who deal with it. For example, the need to gain the required qualifications by personnel who are appointed to higher level positions

and the implementation of succession planning. Literature supports the use of HC to adhere to the compliance requirements as a way of sustaining and legitimising the arrangement of the political, economic and social groups in society (Cooper, 1980; Cooper & Sherer, 1984; Williams, 1999). Compared to Sri Lanka, New Zealand banks did not provide significant comments about the requirement of HC to adhere to compliance, yet there were a number of compliance requirements in the New Zealand banking sector, for example, an open bank resolution policy, credit law reform, macro-prudential policies and anti-money laundering legislation (Annual Report, Bank G, p. 22). As Bank H commented, compliance with these regulatory requirements had implications for all banks' customer bases, so an understanding of these compliance requirements extended to the HC component of these businesses. Non-compliance with these regulations, as elsewhere, resulted in huge risks. Other than Bank H's view, no other comments noted the importance of HC in adhering to regulatory requirements.

In addition to the similarities, one difference namely: ensure the banks' survival, was unique to Sri Lanka. It appeared that banks used employees' innovative ideas and employee engagement with stakeholders and created value for them as strategies to survive in a changing and competitive environment.

It is of no surprise that ensuring survival is of less importance in banks in New Zealand. The two countries were different in many aspects, including economically and politically. Specifically, Sri Lanka is a developing country and New Zealand is a developed country. The economy in the former tends to be sluggish compared to the latter (Heyneman, 1980) and As Liang & Reichert (2006) found, casual relationships between changes in a financial sector development in a country and its growth rate, are sensitive to the country's stage of economic development. In line with the literature, there was a possibility of relatively slower development in the banking sector in Sri Lanka than in New Zealand.

Further, it should be noted that banking activities in Sri Lanka began in the late 19th century (Seelanatha & Wckremasinghe, 2009) while, in New Zealand, the banking sector began in the early 18th century (Tripe, 2012). New Zealand banks operate in a high income country with more than 170 years of experience, while the Sri Lankan banking sector operates with slightly more than 70 years of experience in a low income country (Soubbotina & Sheram, 2000) and the Sri Lankan banking sector has attempted to develop an international standard over a shorter period. Also, it should be noted that Sri Lanka is still experiencing negative consequences resulting from the internal crises that occurred in the country and even after the armed conflicts in 2009, national

survival has not been established (Luengo-Cabrera, 2012) compared to developed economies like New Zealand.

6.5 Summary

This chapter explored the benefits that can be derived from HC in the banks interviewed in Sri Lanka and New Zealand. Sri Lanka provided five reasons for the importance of HC: enhance productivity and efficiency, ensure banks' survival, adherence to compliance requirements, achieve long term success and enhance business performance. New Zealand banks however presented four reasons: achieve competitive advantage, achieve long term success, enhance business performance, and enhance efficiency and productivity. This chapter compared and contrasted the findings of the two countries and other than ensuring the banks' survival in the Sri Lankan context, all other reasons appeared to be similar.

6.6 Contribution

The present study contributes to the HC literature by not only providing a more comprehensive view of what HC is, but more importantly, exploring the role of HC in the banking context. Although there are previous studies on this role (Refer to Section 2.3 above), there still remains a gap between what researchers know and what businesses actually do (Adams & Larrinaga-Gonzalez, 2007; Petty & Guthrie, 2000). This investigation contributed to the literature in numerous ways.

First, both the Sri Lankan and New Zealand banks provided the insight that HC is critical for engaging with stakeholders. Although stakeholder engagement is well recognised in the literature, no studies properly address the mechanism that organisations use to engage with their stakeholders. Even stakeholder theory, concerned with stakeholder engagement, does not adequately address this issue (Dawkins, 2014). Lack of empirical evidence on the relationship between HC and stakeholder engagement is documented in the literature (Dawkins, 2014; Laplume et al., 2008; Phillips et al., 2003).

Second, banks in both countries emphasised the importance of HC to enhancing reputation (Cravens & Oliver, 2006; Dhalla, 2007). Banks further revealed that the ability of employees to enhance reputation is important in achieving long term success in Sri Lanka, and for achieving competitive advantage in New Zealand. These associations, (1) human capital, reputation, and long term success in Sri Lanka and (2) human capital, reputation, and achieving competitive advantage in New Zealand, are not evident in the literature.

Third, banks in both Sri Lanka and New Zealand appeared to have a common view that HC is important to the banking business owing to its wider role in enhancing productivity and efficiency, performance, ensuring success, and helping to act as a legalised corporate body. Such similarity between Sri Lanka and New Zealand has not been addressed by any previous study in the field of HC.

Fourth, though there are similarities in terms of the role of HC between banks in Sri Lanka and New Zealand, the following differences were also found.

1. The Sri Lankan banks think that HC plays a key role in day to day survival, yet this was a less important emphasis for New Zealand banks.
2. The New Zealand banks noted that employee diversity and innovative ideas enhanced efficiency and productivity, while the Sri Lankan banks specified these could be achieved through investment in improving employees' physical and mental fitness and internal recruitment.
3. The strategies that the banks interviewed use to achieve success are also quite different. The Sri Lankan banks noted that they achieved success through enhancing their reputations. More specifically, they emphasised that HC was one way of achieving awards, which helped in public recognition of the name of the bank. However, the New Zealand banks use their HC to engage with stakeholders and create value for them to help achieve business success, with seemingly less regard of it as contribution to their reputations.
4. Fourth, the Sri Lankan banks interviewed noted that the ability of employees to achieve competitive advantage enhances business performance which was not noted in the context of New Zealand.

These differences between banks in the Sri Lanka and New Zealand context were not evident in previous studies in the field of HC. Having gained an understanding of what HC means to banks in Chapter 5 and the significance of it in this chapter, the next chapter broadens the understanding of HC by exploring what HCI are measured, managed, and reported.

Chapter 7

Measuring, managing and reporting human capital information

7.1 Introduction

Chapter 6 presented why the banking sectors in Sri Lanka and New Zealand deemed HC to be important. In doing so, it addressed the research questions: “Has the banking sector deemed human capital to be important and, if so, why?” and “How does human capital in the banking sector in Sri Lanka, differ from that in New Zealand? Why might this be so, and to what end?”

As detailed in Section 1.2 above, human capital accounting was defined as “the process of identifying, measuring, and communicating information about human resources” (Brummet et al., 1969, p. 12). Thereafter, academics have made many attempt to examine the two concepts: measuring and reporting of HCI. The majority of these studies were conducted within the scope of intellectual capital (Refer to Section 1.4 above). Researchers have also noted the lack of emphasis on managing HCI (Baron & Armstrong, 2007; Singh, 2000). Although the MMR is identified as a series of activities related to HC, no contemporary, comprehensive exploratory studies have been found on the three concepts simultaneously.

Thus, this chapter provides details on the three phenomena, particularly, ‘what’ banks MMR. Presenting and interpreting the themes deepened from the concepts, contribute to understanding HC in the broader sense. In doing so, this chapter answers the research questions: “What attributes do banks identify and then use to measure, manage, and report human capital?” and “How does measuring, managing, and reporting on human capital in the banking sector in Sri Lanka differ from that in New Zealand? Why might this be so, and to what end?”

This chapter begins by presenting the findings of Sri Lanka and then New Zealand before comparing the two countries to highlight the extent to which the three practices differ. Importantly, in presenting the findings and comparisons, relevant theoretical evidence is provided wherever possible, in order to analyse the situations and comprehend whether the theoretical notions are challenged or supported by the data.

7.2 Measuring, managing and reporting human capital information in Sri Lanka

The dominant impression is that MMR on HCI is a fundamental part of banking and, it therefore is essential to MMR. The following comments provide evidence of the banks' practices when engaging in the three phenomena.

Measuring human capital in ... (name of the bank) bank range(s) from very basic measurement(s) to higher level(s) from (the) number of employees to (the) value of human capital. Each and every measurement we are doing has its own purpose. Regardless (of) the requirement of IFRS, we are measuring our human capital, for an example, (the) value of the employees. (Respondent B4)

Employee information is very confidential. Even information of one employee should not (be) disclosed to another employee. From collection to distribution need(s) to be done in a very confidential manner. So, we must manage this information carefully. (Respondent A2)

We want to report more and more to our stakeholders and need to give as much as information as they need. (Respondent A3)

The first quotation provides insights into the measuring of information, the second managing and the third reporting. In accepting that that these three practices are required, respondents commented on a wide range of employee information that they measured, managed and reported. This information was categorised into themes: 7.2.1. Training and career development, 7.2.2. Employee recruitment, attrition and retention, 7.2.3. Information required by regulatory, 7.2.4. Employee relations, 7.2.5. Employee welfare, 7.2.6 Diversity and equality information, 7.2.7. Employee health and safety, 7.2.8. Efficiency, and 7.2.9. Informal information.

7.2.1 Training and career development

As can be seen in banks' quotes that follow, training and career development is crucial for enhancing different HC attributes such as employee knowledge, competences including, skills, and "soft" qualities or, in other words, employee values, such as honesty and integrity (Refer to Section 5.3.3 for more value attributes of banks' employees). For example:

All this training aims to enhance the knowledge and competencies of the employees. (Respondent A1)

Training and development nurture and build the skills and competencies of our staff. (Website, Bank B)

We have prioritised training and mentoring to ensure that our values such as honesty and integrity and the spirit of innovation are passed on to employees (Annual Report, Bank A, p. 23)

Senior management and CEO levels would have more soft skills and personality development training rather than technical skills. (Respondent C5)

We have currently identified the need to improve the capabilities of existing staff and steps are being taken to provide both technical as well as soft skills training... (Annual Report, Bank E, p. 8)

The first two quotations imply the importance of training and development in enhancing the knowledge and competences of employees, while the last three quotations emphasise employee value development. In addition, Bank E was interested in providing training and career development opportunities with the intention of developing its employees in order to prepare all staff members to excel in a global environment.

Developing our people to conform, fit and excel in a globalised environment forms a firm fundamental in our Training and Development agenda. (Annual Report, Bank E, p. 75)

Supporting the findings, Haq and Ghayyur (2014) confirmed that employees' training activities or training are positively influencing employees' skills. Further, banks attempted to develop their employees' careers by providing opportunities to climb the career ladder, e.g. the development of leadership skills. Banks A and D reported in their Annual Report that:

We have also identified the need to train future leaders who will have specialised training to develop their leadership skills ... (Name of the bank) Leadership Academy (Annual Report, Bank A, p. 25)

Gap analyses are conducted to ensure that required training is given to those earmarked, to cultivate skills that will equip them to take up future leadership positions. (Annual Report, Bank D, p.177)

The association between training and development and leadership skills is recognised in the study by Vijendra Kumar and Deshmukh (2012) who demonstrated that the role of counselling and soft skills training improved the leadership skills of students. Hunt and Baruch (2003) suggest that training programs need to be designed to improve the soft skills of managers.

This indicated the importance of the training and career development function in banking. Because of the vital role of training and development, Sri Lankan banks appear to be measuring training information in order to manage it and then report on it to the relevant personnel. As demonstrated below, banks provide evidence of the measuring of training information:

During 2012, the Bank provided 5,119 hours of training to our staff, through 518 capacity building programs. (Respondent A3)

During the year under review, the Staff Development Centre of the Bank conducted a fire training programme attended by 158 participants (covering 3.59% of the total staff cadre) representing branches and departments in the Head Office premises. The training spanned over 1,264 man hours. (Annual Report, Bank B, p. 108)

We measure quite a lot of information. We measure knowledge when we do our training need(s) analysis. (Respondent C1)

Respondents provide evidence for measuring training hours, number of training programs, number of trained staff, percentage of trained staff out of total staff, and training needs analysis. Similar views were received from Banks D, E, and F. The managing of training information was also noted by Banks A and B as below.

The respective manager has to observe, keep records and manage information about the behaviour of an employee before training. (Respondent A1)

Information to compile this Report has been drawn from a number of different sources such as HR information-more specifically training and development - from the records managed by the Bank's Staff Development Centres (Annual Report, Bank B, p. 15)

Reporting of training information is specified in the following quotes. As respondents stated, the banks provide special training on banking regulations to all staff members and then report the relevant information about this training to regulatory bodies. For example:

Compliance training means a kind of training that all banks have to undergo within the course of a year. We have an obligation to report information such as the number of employees trained, to CBSL (Respondent A3)

The Bank's Staff Development Centre ensures the conducting of training programs covering compliance aspects because we have to report it to CBSL. (Respondent B1)

Confirming Respondent A3 and B1's views, Bank C also provided an example of compliance training as anti-money laundering, which is provided to make employees aware of how customers might "clean the dirty money".

CBSL introduced tighter controls and monitoring measures that demanded more stringent compliance standards from all banks in the local industry. The Bank welcomed these measures that would further reinforce the Bank's commitment towards regulatory compliance. Accordingly, during the year the Bank forged ahead with plans to facilitate a fully integrated anti-money

laundrying (AML) software platform on a par with international banking standards. (Annual Report, Bank C, p. 58)

Here, dirty money denoted the funds that came to the bank from illegal actions, such as gambling and kidnapping. As Respondent B2 stated, people used to keep such money in the bank for six months to clean it so banks decided that every bank employee must be aware that they did not endorse such money.

Today people misuse money and they use the banking system to clean the money and take it out. For an example; let's say some has been kidnapping and obtained money. Then what they do is deposit the money in a bank, keep the money for some time and after six months, take the money out. They use the banking system to clean their money. Even if gambling takes place this is what happens. As a bank, one thing is we need to careful about is that we don't endorse money laundrying. Money laundrying is the fact of cleaning dirty money. The training on compliance is important here.

Thus, banks train staff and report laundrying of money to the regulatory authorities. In addition to the above noted information, there are many other types of training and career development information that are measured, managed, and reported by banks in Sri Lanka as illustrated in the Table 7-1 below.

Table 7-1: Training and career development information

Measure	Manage	Report
Competences (Number of years' experience, communication skills, attitudes, knowledge)	Knowledge Innovations Competences	Knowledge (innovations)
Employee ratings (based on service delivery, skills performance)	No evidence found	No evidence found
Training and career development (skill gap analysis, training need analysis, learning component, training investment, training man hours, number of training programmes, training days, number of trained people, training efficiency, leadership and succession plan, bench strength)	Training and development (Behavioural change, learning material, innovations, performance appraisal information)	Training, career and leadership development (skill and competency development, investment in skills and capabilities, leadership development, succession planning, career development, training and education, ethics and values, competencies, employee performance, compliance)
Values (discipline, lifestyle, character, behaviour, commitment)	No evidence found	Values
Return on Investment	No evidence found	No evidence found
Employee performance	No evidence found	No evidence found

7.2.2 Employee recruitment, attrition and retention

Employee recruitment is identified as a process of reaching out, searching for, attracting and choosing those who are considered most competent and qualified for a particular job (Banjoko, 1996), while retention is identified as employees remaining in the job (Gberevbie, 2010). Employee attrition and turnover are concerned with the loss of key employees (Mehdi, Raju, & Mukherji, 2012). From recruitment to attrition, a wide range of employee information was found to be MMR by the Sri Lankan banks. The following quotations provide examples of such MMR information. In terms of measuring employee recruitment, retention, and attrition information, respondents provided the following:

We recruited 368 new team members in 2012 out of which 233 were to fill new positions during the year. Our talent pool has grown by 6.97% (Annual Report, Bank A, p. 214)

During 2012 over 90% of vacancies in senior positions were filled by internal candidates. (Respondent B5)

See our retention rate is very good because our employees know that they have a future in this company. Our retention is 95.5%. That means the T/O is only 4.5%. This 4.5% includes all resignations and retirements. (Respondent C1)

Banks A's quotations provide evidence for measurements such as recruitment analysis including the number of new recruits, number of replacements, creation of new positions and the percentage of staff that has increased during the year. Respondent B5 stated the percentage of internal promotion out of total recruits, and Respondent C1 noted retention and turnover ratios. In terms of managing this information, banks commented that:

So, what happens is every job has a job description where we write down very clearly accountabilities of the jobs, the environment that they working in, and top of that what are the skills, knowledge and experience that are required for a particular job?. Likewise for each and every job we have a set of skills and competencies, that up front we decided and have it in place. What we need is clearly written in a JD. The JD is written by the department head. The Dept. head would decide, in terms of particular job role, what are the skills and the experience required for a job holder to a job. (Respondent B1)

Other important thing is employee history. At the time of recruitment, we have in depth screening about the applicant. Of course the regulator also has imposed certain rules. Say, the central bank has brought in a rule where they say every time we recruit somebody they need to have a police and Grameseveka certificate (head of the village). These documents also protect safety. (Respondent C1)

We manage employees' basic information. When recruiting employees we must get additional information like referee reports and character certificates, birth certificates, educational certificates etc. (Respondent E1)

As Respondents C1 and E1 stated, banks collate information about recruitment such as referees' reports, character certificates, Grameseveka certificates, police reports and previous service letters. These recruitment documents, together with placement letters, are managed confidentially. In addition to this collated information from employees, Bank B was found to be managing information relating to each job, such as job description information, the skills and knowledge required for each job and accountabilities.

Reporting of recruitment, retention, and attrition information was also noted by banks in Sri Lanka, for example:

You might have seen we have issued a media release about the appointment of one of our MDs as the new president of the Association of Professional Bankers. (Respondent A1)

The general procedure followed by the Bank when recruiting staff is discussed below: There are two entry levels to the Bank, as Banking Trainees or as Management Trainees. Mid-career recruitment will take place only in relation to specialised job positions. (Annual Report, Bank B, p. 23)

Respondent A1 noted the reporting of the appointment and resignation of key management personnel through media releases and Bank B reported the recruitment procedure in their annual report. Likewise, as stated in Table 7-2 below, much other information related to recruitment, attrition and retention was measured, managed and reported by banks in Sri Lanka.

Table 7-2: Employee recruitment, attrition and retention information

Measure	Manage	Report
Employee recruitment (recruitment analysis, average rate of promotion, internally trained staff to new recruits)	Employee screening and recruitment information (referee reports, character, <i>Gramaseveka</i> certificates and police reports, service letters from previous employers and leaving letters from previous organisations, appointment documents, placement letters)	Employee recruitment (employee recruitment appointment and resignation of key management personnel, internally trained staff to new recruits)
Attrition (turnover ratio, attrition rate)		Attrition (including turnover) (employee attrition, turnover)
Retention (retention ratio, indicators related to employees returning to work and retention rate after maternity leave)		Retention (employee retention, indicators related to employees returning to work, retention rate after maternity leave)
No evidence found	Job description information (skills required for the job, accountabilities of the job)	No evidence found
No evidence found	Reasons for leaving	No evidence found

7.2.3 Information required by regulators

The banking sector in Sri Lanka is bound by a body of legislation in order to safeguard the banking system and the customers who interact with it (Hossain, 2012). As stated in Section 6.2.3 above, banks have to adhere to both internal and external regulations. The internal regulations are imposed by the bank itself, for example, they have internal policies for recruitment, while externally, regulations are imposed by external regulatory authorities, such as the Central Bank of Sri Lanka (CBSL). For example, banks must comply with the requirement of recruiting the right personnel to the relevant positions, establishing succession planning, and making all the employees aware of banking regulations.

Banks emphasised that some of the HCI required by regulators must be MMR to satisfy the regulatory rules that the banks have to obey in relation to how they conduct business and how they deal with customers and staff, as demonstrated in the following Table 7-3.

Table 7-3: Regulatory information

Measure	Manage	Report
Fitness and propriety of directors	No evidence found	Fitness and propriety of directors
No evidence found	Internal Regulations Staff circulars Compliance sign offs)	Internal regulations (HC policy, recruitment procedure)

Among the many compliance requirements, one was to assess /measure the fitness of employees in managerial positions against the standards set by the Central Bank of Sri Lanka (CBSL). In other words, banks have to measure the qualifications of particular employees to ensure that he/she can perform the particular job. If an employee does not reach the required level, that employee is regarded as unqualified for that position.

There is a regulatory aspect in recruitment to the higher positions. We need to make sure that such employees fulfil the required educational levels. This is a Central Bank requirement. (Respondent B1)

Here, we have to submit another report called a 'fit and proper questionnaire' to the central bank. This assesses how far particular key personnel fit this position against central bank criteria. This is applicable for personnel who are above AGM level. (Respondent D3)

Regulatory information is not only measured but also needs to be managed. As Respondent D3 further commented:

When monitoring, we don't go into detail. I take the confirmation from the people who are involved in recruitment. They have to do the recruitment in a proper manner. This is called 'compliance sign off'. Department heads need to sign confirming that everything is fine. Let's say the recruitment again. So, all the procedures are known by the head of department, so we need his confirmation that they follow everything. We maintain that document.

This measurement has to be reported to the Central Bank.

Declarations are submitted to the Central Bank by each Director declaring their suitability (fit and proper test) annually. (Annual Report, Bank B, p. 189)

Key Management Personnel sign declarations that they are fit and proper persons to hold office. This document has to be submitted to the Central Bank (Respondent E1)

Banks A, B and C provided similar views, thus, it appears that banks have to MMR on HCI in response to external regulations. In Sri Lanka, companies that apply for registration to conduct any market activity or financial service that falls within the scope of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, must ensure that the directors and executive officers fulfil required qualifications such as educational, or other qualifications or experience, to perform the job (Securities and Exchange Commission of Sri Lanka Act (1987). Compliance with the above requirements needs to be confirmed by each bank and reported to the relevant regulatory authority.

In addition, in terms of internal compliance, internal circulars are identified as a way of informing and making employees aware of organisational wide activities such as product development, product responsibility and actions for corruption. Banks are found to have reported this information in the annual reports as shown in the comments below.

Our staff is made aware of new developments in their respective fields through team briefings and circulars to ensure that their knowledge is current and comprehensive when advising customers. (Annual Report, Bank A, p. 231)

Periodic awareness programmes and communication materials on product responsibility/guidelines are sent to Branch Managers and departmental heads via operational and administrative circulars. Such circulars are also available in the Bank's intranet. (Annual Report, Bank B, p. 30)

Following any such corruption event, lapses in the internal control system which led to such incidents are identified and steps are taken to avoid a recurrence. In addition, further follow-up action is taken by way of an issue of circulars to all staff to educate them and to improve the effectiveness of existing internal control mechanisms. In addition, disciplinary actions are initiated against the staff involved in such incidents. (Annual Report, Bank B, p. 125)

Banks not only report this information in their annual reports but also manage them. As stated in Respondent D4's quotation below, Bank D manages three types of circulars including employee related circulars which have been issued from 1995 to date.

We do have all the circulars issued from 1995 to-date. Anyone can refer at any time. There are 3 types of circulars, general, staff and special instructions menus. Staff circulars issued relate to staff.

Thus, based on the above evidence, it seems that banks must MMR on some HCI as required by the internal and external compliances.

7.2.4 Employee relations

Another information category that Sri Lankan banks MMR focussed on was employee relations as illustrated in the Table 7-4 below. For banks, employee relations appeared to have a broad scope that involved employee engagement, recommendations, acknowledgement and profiling.

Table 7-4: Employee relations information

Measure	Manage	Report
Employee engagement indicators (number of staff covered by collective agreement, engagement level, union engagement)	No evidence found	Engagement information (unionisation and collective bargaining, engagement mechanisms)
No evidence found	Employee recommendation	Awards and achievements of people (employee achievements, awards for people, rewarding)
Employee profile (total employees, employee breakdown, average absenteeism)	Employee profile (demographic information, birth certificate, education qualifications, contact details, marital status, past experience, skills of existing staff (skill inventory), employee identification information, employee grades and changes to grades)	Employee profile information (profile of KMP)
No evidence found	No evidence found	Employee acknowledgement

In terms of employee engagement, as stated in Section 5.2.4, banks organised many activities, such as health and safety programmes, quizzes and debates with the aim of enhancing employee engagement with the bank, job and community. This view was in line with previous studies (Ali et al., 2013; Scherrer et al., 2010; Slack et al., 2015). It showed that, for the Sri Lankan banks, employee engagement was important; thus, they believed that information regarding employee engagement should be MMR. For example, Banks B, C, and D reported in their annual report that:

Moreover, the Committee also ascertains the engagement levels of staff through staff engagement surveys. (Annual Report, Bank B, P. 207)

An employee engagement/attitude survey is undertaken once in two years to assess engagement levels. Concerns raised are addressed through a special task force team. (Annual Report, Bank C, P. 110)

We recognise the ... (Name of the bank) Bank Employees' Union, and ... (name of the bank) Bank Employee Union ... which comprise almost 91% of our staff across all executive grades, as a consultative and supportive group that constitutes a forum for improved communication, grievance handling, career counselling and creating an environment conducive to healthy employee relations. (Annual Report, Bank D, P. 187)

For employee recommendations, banks revealed that they recognised their employees by giving them recommendation letters. As stated in interviews (A1, A2 and B5 and D4), banks gave recommendation letters to employees, especially if they showed good values in building bonds with customers, and if they produced new ideas for processes and product development. Finally, these documents were managed confidentially in his/her personnel file.

We always encourage our team to give initiatives to the procedures to enhance the productivity level. Basically, once we had branch meetings, so, we used to give targets for initiatives that have to be placed. Now most of our staff are coming with lots of ideas. For example; the Parliament has made a decision to give the SLT account to commercial banks also. Earlier it was with state banks. We did special programs to convince SLT of the benefits that they can gain from us. Now SLT is maintaining its accounts in our bank. This clue came from one of our staff members. So, I recommended that guy to the corporate management and they sent an appreciation letter to him. It goes into the personal file also. When it comes to the promotion level, it will count. (Respondent A2)

Supporting the link between employee recognition and employee relations, Saunderson (2004) noted that an effective recognition occurs in organisations with a strong, supportive culture.

Further, it was found that banks gave the employees publicity in the annual reports by acknowledging employees' behaviour and efforts towards the achievement of business results and banks' objectives.

I extend my sincere gratitude to the management and staff of ... (Name of the bank) without whose professionalism and "can do" attitude we would not have been able to record such a commendable performance. (Annual Report, Bank C, p. 20)

My gratitude goes out to the Board of Directors for their diligent guidance and support. I wish to specially thank the Chief Executive Officer for his inspired leadership and all the employees for their exemplary efforts and dedication. (Annual Report, Bank D, p. 5)

I take this opportunity to thank my colleagues on the Board for their committed support and cooperation in discharging my duties as a Chairperson (Annual Report, Bank E, p. 8)

The banks' views support Bendeth (2004) who argued the importance of employee acknowledgement to stimulate employee loyalty. Similarly, Umlas (2013) detailed that employee acknowledgement has the power to enhance employee engagement and achieve superior results.

In addition, employee profile information is also found to be MMR, for example, Bank D provided evidence of measuring and reporting of employee distribution as below.

Sixty-Seven per cent of our workforce is mainly concentrated in the Western Province, of which 48% of staff is based in the Head Office in Colombo. In an effort to promote an equitable regional distribution of the staff, we gradually reduced the workforce in the Western Province from 69% in 2011 to 67% in 2012. New recruitments in 2012 were mainly from the Central, Southern, Eastern and Northern Provinces. (Annual Report, Bank D, p. 186)

Further, Bank A showed how they report profiles of the key management personnel in the websites.

Mr X (Chairman) -Skills & Experience: Extensive governance experience gained through membership of the Boards of Sampath Bank, NDB Bank, Pan Asia Bank and other financial institutions; a quintessential business leader with interests in a variety of key industries including hydro power generation, manufacturing, hospitality, entertainment, banking and finance ... (Website, Bank A)

Managing of such an employee profile is indicated by the Respondent B1.

We in HR input all the information and update it if some changes happen. Normally we feed employee profile information, qualification levels, addresses, employee number, competencies, past experience, marital status, referees etc.

Based on the above evidence, it appears that the banks in Sri Lanka MMR employee relation information, including employee engagement, recognition, acknowledgement and profile.

7.2.5 Employee welfare

Employee welfare was another information category that was MMR. As demonstrated in Table 7-5 below, banks offer varied welfare facilities to employees and all these are broken into two main categories: (1) financial benefits including retirement benefits and (2) non-financial benefits. This classification supports the study by Teti and Andriotto (2013) who documented six categories of welfare facilities, namely benefits, assurances, services, welfare (nursery, children summer camps), promotional agreements and technology.

Table 7-5: Employee welfare

Measure	Manage	Report
Employee financial benefits (transaction with KMPs, salaries and other rewards and benefits)	Employee benefits (payroll, rewards and benefits administration)	Employee financial benefits (transaction with KMPs, salaries and other rewards and benefits)
No evidence found	No evidence found	Employee non-financial benefits (work life balance, share option, holiday bungalow facilities owned by the bank, staff health insurance, and a work-life balance)
Retirement benefits (compensation, retirement benefits, and a defined benefit plan)	No evidence found	Retirement benefits (compensation, retirement benefits, and a defined benefit plan)

Banks did not provide any indication of the measuring of non-financial benefits; thus, the following comments provide evidence of the measuring of financial benefits information including retirement benefits. For example, almost all the banks showed the salary payments during the year; one of the main elements of financial benefit received by employees, and the method of valuing employee benefit obligations. For example:

Salaries and other benefits in 2012 is 7,770... (Annual Report, Bank B, P. 50)

Accordingly, the employee benefit obligation is based on the actuarial valuation as of 31 December 2012, carried out by Messrs Actuarial and Management Consultants (Private) Limited, actuaries. The key assumptions used by the actuary include the following: rate of interest 11%, rate of salary 10%, and increase in retirement age 55-60. (Annual Report, Bank C, p. 217)

The Bank measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method. (Annual Report, Bank F, p.83)

Banks A, D, and E also provided similar evidence in their annual reports. In addition, Banks C and B noted the managing of employee benefits, including financial and non-financial benefits.

The HRIM helps in our all work, including payroll, time and attendance, rewards/benefits administration, performance appraisal, recruitments process, training and development process, absence management, measuring etc. (Respondent C1)

We input all the information on employee benefits and rewards to our payroll in HRIS, and update if some changes happen. (Respondent B5)

The annual reports of all banks contained information on financial benefits including retirement benefits, and non-financial benefits; thus employee welfare information was found to be common to almost all banks. As has been shown in the quotations below extracted from the annual reports of Banks B and C, they report financial and retirement benefits in their annual reports.

Total overhead expenses consisting of staff emoluments and other expenses increased by Rs. 1,995.7 million. (Annual Report, Bank B, p. 43)

A Defined Contribution Plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay a further amount. Obligations to DCPs are recognised in the profit or loss as incurred. (Annual Report, Bank C, p.335)

In addition, Banks E and F's quotations show the reporting of a variety of non-financial benefits.

We provide vehicle facilities for corporate management and transport allowances for executive management, staff quarters and holiday bungalows to employees (Annual Report, Bank E, p. 73)

Further, the Bank has also taken steps to address the employee's motivation factor by introducing housing loans at concessionary interest rates, a Staff Health Insurance Scheme, a Personal Loan Scheme, and reimbursement of education expenses and many more. (Annual Report, Bank F, p. 23)

As stated in the above comments, Banks E and F have given non-financial benefits to employees such as vehicle facilities for corporate management and transport allowances for executive management, staff quarters and holiday bungalows for employees, housing loans at concessionary interest rates, insurance schemes, personal loan schemes, and reimbursement of education expenses and many more. Similar evidence was provided by the other four banks. Thus, MMR of financial benefits including retirement benefits and non- financial benefits appeared common across banks in Sri Lanka.

7.2.6 Diversity and equality information

As stated in Section 5.2.2 above, the banks interviewed in Sri Lanka demonstrated that they recognise the principle of diversity in order to provide equal opportunity to every individual.

As Bank D defined it, the term diversity denoted:

The extent of employee difference based on gender, age group, service period and ethnicity within an organisation. (Annual Report, p. 182)

The equality information showed that the banks treated their employees fairly and equally with no favourable treatment based on gender. As defined by Bank D in the annual report,

The Bank is an equal opportunity employer, paying a uniform remuneration for men and women for work of equal value. (p. 182)

As can be seen in banks' quotes that follow, equality and diversity can be identified as an information category to be MMR on. For example; Banks A and D reported in their annual reports an emphasis on diversity and equality information such as the composition of employees based on gender, age, and religion, while Bank B reported on the composition of the governance body.

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Annual Report, Bank A, p. 266)

From inception we have employed a high percentage of women in our organisation which amounted to 38.7% in 2012. (Annual Report, Bank D, p. 182)

Women Employees % and Women in Corporate and Middle Management %... (Annual Report, Bank B, p. 155)

An effort in promoting equality is emphasised by Bank E.

The Bank as an equal opportunity employer, promotes meritocracy and equality. (Annual Report, Bank E, p. 71)

Banks reported about diversity and equality in their annual reports; however, it was surprising to observe that no respondent commented on these particularly. No clear reason could be found for banks giving less focus to equality and diversity in the interviews; however, there is a possibility that banks intentionally placed less emphasis on ethnic diversity owing to the situation of Sri Lanka. Sri Lanka was still suffering from the consequences of the conflict between the government and a terrorist group. Because of this, industries were reluctant to recruit people in minority groups because of the fear of recruiting terrorists (Abeysekera, 2008a). This anomalous condition has been accepted by many social constituents and political parties because of the negative consequences that could result, such as loss of life, terrorist attacks and consequential negative impacts on the economy (Abeysekera, 2008a).

7.2.7 Employee health and safety

Like employee diversity and equality information, information relating to employee health and safety was also recognised as an information category that was necessarily MMR on (Refer to Table 7-6 below).

Table 7-6: Employee health and safety

Measure	Manage	Report
Health and safety indicators	Health and safety indicators	Health and safety
Employee satisfaction	Employee satisfaction	Employee satisfaction
Risk assessment /risk rating	Risk assessment /risk rating	People risk

Health and safety information consists of three types of information: health and safety information itself, employee satisfaction, and risk associated with employees. In terms of employee health and safety information, Banks A, B, and C noted that they measure and report information such as injury rate, number of lost days due to accidents, lost days by region and gender, occupational diseases, absenteeism, and the number of work- related fatalities by region.

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work- related fatalities by region. (Annual Report, Bank A, p. 266)

During 2012, there were 11 accidents reported. However, none of these resulted in work-related fatalities. The details of lost days by region and by gender are given below. The lost days count begins on the day after the accident (Annual Report, Bank B, p. 108)

We do certain things to keep up our standards. I am happy to say that there have been no workplace related injuries during 2012. (Respondent C3)

Respondents in banks A, B, and D also emphasised the measuring and reporting of employee satisfaction information; specifically, they provide evidence of the measurement of employee satisfaction levels.

The retention rate is high at 96% which is testimony to the satisfaction levels amongst our team members. (Annual Report, Bank A, p. 214)

We periodically measure employee satisfaction through surveys; they indicate the satisfaction level of employees. Making the employee happy is a part of our health agenda (Respondent B)

The staff satisfaction survey is considered as the key strategy used to identify staff attitudes, training and development needs. The Human

Resources Department carried out a bank-wide staff opinion survey during January-February 2012. (Annual Report, Bank D, p. 178)

Further, Bank B provided evidence of the measuring and reporting of operational risk, of which risk associated with employees is a part. Emphasising risk associated with employees as a part of operational risk, Bank B reported that:

Operational Risk is the risk of losses resulting from inadequate or failed internal processes, people, and systems or from external events. (Annual Report, Bank B, p. 252)

Banks B and F provided evidence of the measuring of operational risk including risk associated with employees as a part of workplace safety issues, and reported them in the annual reports as below.

When measuring operational risk, we count acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events (Annual Report, Bank B, p. 263)

*Total Capital Charge for Operational Risk = (Gross Income*15%) Total Risk-Weighted Amount for Operational Risk (Total Capital Charge for Operational Risk x 10) (Annual Report, Bank F, P. 105)*

The above mentioned quotations provide the measuring and reporting of health and safety information including employee satisfaction and risk associated with employees. In addition, Bank A noted the managing of overall health safety information.

All information related to employee health and safety is managed by HR staff because there are no special Health and Safety Committees appointed by the Bank, and therefore the responsibility for this subject is vested with the Human Resource Department. (Respondent A)

Specifically, banks' concern with MMR on health and safety information could be because of the many laws and regulations imposed by Sri Lanka in order to ensure the health and safety of employees. The National Institute of Occupational Safety and Health was established on 28 April 2005 under the Sri Lanka Ministry of Labour and Labour Relations. The Institute was committed to enhancing the awareness of people and adherence to proper health and safety measures, thereby, ensuring better working conditions for all people (National Institute of Occupational Safety & Health (NIOSH), 2015); thus, it can be said that ensuring the health and safety of employees is mandatory in Sri Lanka.

7.2.8 Efficiency

Revenue per employee was considered as an efficiency indicator by Warren, Reeve, and Duchac (2011) while cost per employee was recognised by Becker, Huselid, and Ulrich (2001). Further, Subrahmaniyam (2009) noted the profit of employees as an efficiency indicator. Holding a similar view, banks also noted that they measure efficiency information such as revenue per employees, cost per employees, profit per employees, growth in the number of branches vs employees, and training efficiency, in order to manage them and report to relevant stakeholders. The following comments provide evidence of the banks' practices when MMR employee efficiency information.

As stated in Section 7.2.1, banks in Sri Lanka proactively engage in training their employees in order to enhance their competences, knowledge and soft qualities. Respondents further extended this view commenting that banks are concerned with the outcome of the training, thus, they measure training efficiency.

We have measurements to evaluate what employees have learnt during the training. Our board is very keen on that evaluation. We call this training efficiency. The outcome of the training is highly important to us.
(Respondent B2)

There is another efficiency measurement as training cost as a percentage of total operating expenses. (Respondent C4)

In addition to training efficiency, bank D indicated that they measure cost per employees and revenue per employees.

We measure efficiency ratios including cost per employees and revenue per employees as well. (Respondent D1)

As further elaborated by Respondent D1, the higher the ratio of revenue per employee, and the lower the cost per employee, the more efficiently the bank had used its employees. In addition to measuring, Bank B's following comment emphasises the managing of it. As Respondent B1 noted, the bank keeps records and updates and internally distributes employee efficiency information in a timely manner.

We do calculate an employee efficiency indicator which is a revenue perspective count. We do keep records and update this figure monthly and communicate mainly internally.

Further, banks provided evidence for reporting employee efficiency information in the annual reports, especially the growth in the number of branches vs. employees, total expenses per employee, total net income per employee and profit per employee.

Growth in No. of Branches vs. Employees 2012 vs. 2011 %. (Annual Report, Bank B, p.5)

Operational efficiency can be analysed as follows: (1) Total Expenses per Employee (Rs. '000), (2) Total Net Income per Employee (Rs. '000), and (3) Profit per Employee (Rs. '000). (Annual Report, Bank D, p. 43)

The evidence presented above indicates that banks are in fact MMR employee efficiency information.

7.2.9 Informal information

It was surprising to find that some of the banks were highly concerned about managing informal employee information, that is information that was not formally collected from employees, for example the background of employees, such as family, school, society, and lifestyle.

Depending on the environment, the attitude of people and their conduct will change. Environment includes the family, school, university, society, everything. (Respondent A1)

We expect new employees to have a proper background. Based on this information we assess a new employee who comes to us. We are dealing with public money. That is very important. We believe the behaviour whether it is bad or good comes from the family and the school. We have to look at the life style also. (Respondent B1)

It [recruitment] totally depends on the attitudes, and some background information of the employee such as parents, siblings, school. We have this informal information with us. (Respondent C2)

Banks A, C and D appear to believe that informal information is important to manage, but they neither measured nor reported it to external stakeholders. The banks declared that:

All formal information is recorded and we do not want to bother with it. Formal information is readily available. The problem is with informal but important information like background. This is not recorded in any document or system. So, we used to share all gathered information with second officers. In the officers monthly meetings we discuss this information. (Respondent A2)

When it comes to information like background, school, lifestyle etc. we don't formally manage them. When I have a chat with a particular employee, I always bring my assistant. So, she knows all information. There

is no formal record system on this but we all know about this information because it affects our future and vision. This is not discrimination. It is a one to one face to face discussion. If his background information is very positive we recognise him and take a decision to groom him. Every team member has a training record maintained by the training department and the information goes to it. (Respondent C3)

We do manage a lot of information informally. We do exchange it with relevant people, assess and evaluate it ..., but we never disclose it. (Respondent D4)

The above comments implied that managing this type of information was different from managing other types, as there was no formal record maintained for informal information. However, interestingly, it was revealed that informal information was imperative in decision making, especially in the delegation of work, recruitment, and transfers and promotions situations. Respondents provided evidence as follows:

However, as I told you, there is no system to manage certain important information. But information like social network, family background, relationships, etc., is subjective information which is informally used for decision making. Sometimes, unrecorded information is more powerful information than the recorded formal information. There is no method to measure this information. (This) cannot be justifiable. Therefore we can't openly say that we consider this kind of information for decision making. (Respondent B1)

We do manage a lot of information informally. We do exchange it with relevant people, assess and evaluate it at the time of decision making, etc. We do send recommendation letters to appreciate people's work; we do formal performance analysis, etc. But when it comes to promotion, at the time of short listing, we are really concerned about informal information together with formal qualifications, but we never disclose it. (Respondent D4)

As implied by the above comments, banks used formal information to make decisions, but it is clear that informal employee information can alter the decision taken based on formal information. The culture of Sri Lanka could be the reason for the use of informal information in HC management.

Sri Lanka has a collectivist culture (Weathersby, 1993) and one important aspect of this cultural orientation is the class system that was formed during the British period (Wickramasinghe & Cameron, 2005) when the capital city of Colombo became the country's hub (Wickramasinghe & Cameron, 2005). The private sector expanded, immigration increased and the number of ways of contacting the outside world increased (Gamage, 1997). Importantly, during this period, a school system was established with an English language medium and entry to these schools was limited to children whose parents were in recognised positions in the country, such as politicians and

businessmen (for the average citizen, entry was extremely difficult). The children who went to these schools obtained a western-oriented education and made their way to universities in Sri Lanka and Great Britain (Wickramasinghe & Cameron, 2005). Consequently, they entered various professions, with such jobs as business executives, civil servants, and in political positions (Wickramasinghe & Cameron, 2005). These schools have long been recognised as the best places to produce high level professionals and leaders (Gamage, 1997; Jayasuriya, 1969; Jayawardena, 2000). It was clear that the above situation created a different class/group of people in Sri Lanka (Wickramasinghe & Cameron, 2005). One group comprised the average citizens who came from average schools and families and the other group was a privileged one, comprising people who came from the privileged schools and who had educated parents (Hettige, 1999). The interviews revealed that banks preferred to recruit employees who were from the latter group.

You know in Sri Lanka we have very prestigious schools. Most of these schools have strict discipline and the best performance. That is why these schools have become the best in the country. Those are the places where the best people with discipline and values come from. (Respondent A2)

We believe the behaviours whether bad or good come from the family and the school. (Respondent B1)

What we believe is if you come from a good family you have never done a wrong thing or an unethical thing. A good family does not mean a rich family. In our bank, we prefer to take people from good families and good schools. (Respondent D4)

The above comments imply that banks prefer to recruit employees from good families and good schools; they then would have both good discipline and values compared with others. In addition to family background and schools, banks noted that they are concerned with the ability to build relationships with people in higher classes. For example:

For some higher level managers the bank sponsors the memberships. The important thing is why we giving these memberships to our higher levels. It is purely because we want to motivate building a relationship with people in higher society. In Sri Lanka the average people never come to clubs. People coming to a club are very rich people. We don't measure the extent of building relationships and there are no records to maintain but relationships are building. (Respondent B2)

Other than insight about connection with people, it says a lot about one's capabilities. For an example, let's say one has a membership of a NCC sports club. It tells of his discipline, ability to work with networks etc. Another example is, let's say he has a position in one of these clubs. It tells about his organising, public speaking etc. These are so important. (Respondent D4)

Further, Banks A and B remarked that they are concerned about the lifestyle of employees as well, for example:

You can judge his life style when you look at him. Whether he has a good life style or a mischievous lifestyle etc. Nowadays, everybody is using mobile phones. With high tech mobiles people can do anything. They can misuse the bank's money as well. So, based on the background of the parents, I know whether such high tech mobiles can be approved by the parents.
(Respondent A2)

We believe the behaviour whether it is bad or good comes from the family and school. We have to look at the life style also. (Respondent B1)

Thus, based on the above evidence, it could be said that the Sri Lankan banks are highly concerned with informal information together with formal information.

An influence of family on HC is addressed in the literature. For example, Becker (1993) argued that parental attitudes and behaviour have a huge influence on their children. Becker further stated “parents who are alcoholic or are addicted to crack create a bizarre atmosphere for impressionable youngsters, whereas parents with stable values who transmit knowledge and inspire their children favourably” (p. 399). Becker and Toms (1994) investigation focused on influence of on rise and fall of families on HC. However, the researcher failed to find empirical evidence on considering these information for managing HC in a contemporary business.

In summary, the Sri Lankan banks were found to be MMR nine information categories: training and career development, employee recruitment, attrition and retention, regulations, employee relations, employee welfare, diversity and equity information, employee health and safety, efficiency, and informal information. MMR on some of the above information is in line with previous studies, for example Edvinsson and Malone (1997) and Roos, Roos, Dragonetti, and Edvinsson (1997) confirmed the importance of the measuring of training and career development information. Major et al. (2007) confirmed the interest in managing it, whilst reporting on training and development information was also noted by Mouritsen, Nikolaj, and Marr (2004).

Further, Baron (2011) confirmed the measurement of employee recruitment, attrition and retention information and Lewis, Wright and Geroy (2004) also recognised the management of that information. Reporting employee recruitment, attrition and retention information was highlighted by Ax and Marton (2008). However, it should be noted that the above literature provides evidence that measuring, managing and reporting of information have been investigated as separate phenomena in different industries, yet, no evidence was found that all three phenomena have been investigated simultaneously in the banking sector.

7.3 Measuring, managing and reporting human capital information in New Zealand

The New Zealand banks that were interviewed also provided evidence that they deliberately MMR on HCI as a part of their business processes.

We do report employee information to external parties through annual reports. It is a regulatory requirement. We do prepare a sustainability report which has a section for employees. The sustainability report is due to our strategy of sustainability. (Respondent G1)

My view on it is that it is a critical activity (managing information) for any organization to engage in and the more information we can collect the better around our people. You know there are obviously confidentiality issues in the degree to which people are comfortable sharing that. From my perspective we should be collecting as much information as we can about our people, because if we do that then that enables us to effectively mind that information to help us understand what we need to do differently with our workforce. (Respondent H1)

Mr X said that the setting and reporting of internal targets was key to ... (name of the bank)'s success in encouraging gender balance within the bank, the place ... (name of the bank) chose to start its diversity efforts. "Measurement is vital – what gets measured gets done, says Mr X. (Website, Bank J)

This study's respondents' comments and secondary information from annual reports, websites, media releases, collected in the field yielded a view of a range of HCI that was MMR by the banks in New Zealand that were interviewed. This information was categorised into eight themes: 7.3.1. Training and career development, 7.3.2. Employee recruitment, attrition and retention, 7.3.3. Diversity and equality, 7.3.4. Employee welfare, 7.3.5. Employee relations, 7.3.6. Information required by regulators, 7.3.7. Health and safety, and 7.3.8. Efficiency.

7.3.1 Training and career development

Table 7-7 below displays the HCI on which banks in New Zealand MMR. This information provides the insight that the New Zealand banks do focus on training their employees in competences including skills (for example language skills) and knowledge.

We also have a range of internal guidelines and training processes, including an online learning module to give required knowledge and competences. (Respondent G1)

We developed Māori awareness training, which continues to be rolled out throughout the organisation. The ... (Name of the bank) board and executive team, along with other leaders and teams throughout the

country, have been through training to increase their general knowledge and awareness of Māori language, customs and protocols. (Case study for Diversity, Bank J, P. 33)

This view supports the study by Haq and Ghayyur (2014) who provided that employees' training activities or training are positively influencing their skills. Although all of the banks commented on different aspects of training, it was noted that they appeared more focussed on training employees in operational skills or, in other words, the skills and knowledge required to perform the job rather than "soft" qualities, such as attitudes, commitments and values. For example, Banks G, H and J reported that:

All the employees are entitled to this training and development programme. Yes, it really is based on the needs of the job. (Respondent G1)

We run a variety of training courses on everything from mentoring, sales, and presenting, to leadership training! Formal learning, however, is only one aspect of training. The majority of training occurs on the job through mentors, buddies, coaches and managers. (Website, Bank H)

We provide one on one training and coaching to be successful in your role. (Website, Bank J)

As Douglas (2002) demonstrated, companies in all sectors need to be more serious about helping their technical people master the soft skills because those with highly developed technical skills have problems in their career development because their career progression is to a management position requiring soft skills, such as management skills rather than technical skills. Thus, the New Zealand banks' view contradicts Douglas (2002).

Also, some banks additionally trained their employees in human relations related skills, such as leadership and relationship building. In terms of leadership skills, Bank H stated that:

We place huge value on your personal development, not only within your current role, but in terms of your entire career. We run a variety of training courses on everything from mentoring, sales, and presenting, to leadership training. (Website, Bank H)

This view supports the study by Hunt and Baruch (2003) who demonstrated that a training program needs to be designed to improve the soft skills of managers. Confirming a similar view, Vijendra Kumar and Deshmukh (2012) found that the role of counselling and soft skills training improved the leadership skills of students.

Relationship building through providing training is emphasised in the following comment by Banks G, H and K.

Continued to grow the representation of mature age employees in our workforce and put in place training, tools and support to encourage greater participation. (Annual Report, Bank G, p. 12)

When you start your job, you will be assigned a buddy or mentor who will support you in your training, this will be the first lesson to work with your colleagues. (Website, Bank H)

We encourages staff to participate in internal and external training and development opportunities as these provide skills to engage with others. (Respondent K)

In addition, Bank G was interested in providing training and career development opportunities with the intention of developing their employees with disabilities.

As we continue to enhance accessibility, we will focus on making our banking products, services and communications more accessible, and on improving opportunities for employment, training and career development for people with a disability. (Annual Report, Bank G, P. 17)

We established standards for including people with disability for all new and/or amended training. (Case study for Diversity, Bank J, P. 38)

Confirming the above views Varekamp et al. (2009) found an association between training and empowering of employees with disabilities. Further, it was noted that the banks provide some training to employees in order to comply with regulatory requirements. For example, Banks G and H commented that:

Training covers areas of ethical business behaviour, including our gifts policy and other anti- corruption related topics. This training must be completed by all employees every two years. (Annual Report, Bank G, p. 16)

We are trying to keep the completion rate as high as possible especially for the mandatory compliance training module. (Respondent H1)

Mandatory compliance training is addressed in the study by Mikkola and Rios (2002) suggesting that companies themselves offer internal training about regulatory compliance to a larger degree. The above comments indicate the importance of the training and career development function in banking.

Because of the vital role of training and development, the New Zealand banks appear to be MMR training and development information. As demonstrated below, Banks G and J provided evidence for measuring leadership capability and succession plans featuring women:

Our measure of leadership capability also improved, from 87% to 89%, it is also ahead of the global high performing norm of 84%. (Annual Report, Bank G, p. 17)

We reviewed our succession planning, with the bank now having 24% of current succession plans featuring women. Women make up 53% of ... (Name of the bank)'s identified talent group. These are both high-performing and high-potential employees. (Case study, Bank J, p.18)

The managing of training and development information is emphasised in the interviews with Banks G and H.

We manage records on how that an employee is performing and where they need some additional coaching or some additional training or whether extra work is needed for that employee. (Respondent G1)

We have got an L and D (Learning and Development) team that delivers training; I suppose they manage all information. (Respondent H1)

As stated in the quotations below, banks provided insight into the reporting of training information, for example, Bank G reported in the annual report on the number of training hours and percentage of employees trained in the year and Bank H reported in their website about employee development plans.

Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Annual Report, GRI Index, Bank G, p. 15)

Each year, in conjunction with your manager, you will develop a personal development plan. This will detail your career goals and what steps you are going to take to achieve your goals. (Website, Bank H)

Similarly to the above, much other training and career development information was found to be MMR by banks in Sri Lanka as illustrated in Table 7-7 below.

Table 7-7: Training and development information

Measure	Manage	Report
Training and development (behaviour ratings, performance ratings, advocacy, training and development, succession plan)	Training and career development (performance appraisal, training and development information, employee ratings)	Training and career development (investment in people, performance assessment, succession plan, training and development, career opportunities, job grading, employee advocacy)
No evidence found	Suggestions/ innovations	No evidence found
Competency	Competency	Competences
Knowledge	No evidence found	Knowledge
No evidence found	No evidence found	Values

7.3.2 Employee recruitment, attrition and retention

It was found that the banks in New Zealand MMR a considerable amount of information starting from observations made during recruitment and moving through to the characteristics of attrition as demonstrated in Table 7-8 below. Here, employee recruitment is identified as a process of reaching out, searching for, attracting and choosing those who are considered most competent and qualified for a particular job (Banjoko, 1996), while retention is identified as employees remaining in the job (Gberevbie, 2010). Employee attrition and turnover are concerned with the loss of key employees (Mehdi et al., 2012).

Table 7-8: Employee recruitment, retention and attrition information

Measure	Manage	Report
Attrition (Attrition rate, Turnover ratio)	Attrition (Attrition rate, Turnover ratio)	Turnover
Retention (Retention rate, Return from leave)	Retention (Retention rate, Return from leave)	Retention (return from leave)
Recruitment	CV information	No evidence found
No evidence found	Exit interview information	No evidence found
No evidence found	JD information	JD information

As all the respondents from banks in New Zealand commented, they have measured information such as turnover ratio, attrition, and retention ratio, among other characteristics, for example:

Employee Voluntary Attrition (%) for the year 2012 is 9.8%. (Annual Report, Bank G, p. 23)

We have a measure called new starter retention and high performer retention. When it comes to new starter retention, we want to ensure that

we retain employees with a maximum of 12 months of service in ... (Name of the bank). (Respondent G1)

Total turnover rate for the year 2012 is 14% and voluntary turnover rate is 10%. (Annual Report, Bank J, p. 20)

In terms of managing information, all the respondents from banks in New Zealand commented that they have documented and maintained job descriptions for each job role in their bank. These job descriptions clearly express what knowledge, skills, values and experience a candidate needed to present in order to do a particular job.

We usually include in the JD what type of personal qualities we expect, for an example; qualities that we expect are motivation, target- driven ... In each JD we state the required skills as well. Normally we require skills such as good writing, excellent presentation and communication skills... (Respondent K1)

Respondent K further stated that when banks recruited a candidate for a position (job role), the bank collected the necessary information as appropriate to the JD and if the requirements of the job description met the characteristics that the candidate provided through their CV, that particular applicant may have been recruited.

Then we have an extensive interview and finally psychometrics test. Through this process we try to recruit the best person who matches the JD requirements. We have stated what we need in our JDs, such as ... This information is usually checked in an extensive interview.

Other than job description information, the banks revealed that they manage information such as exit information, as well as employee recruitment information.

The whole range of employing demographic information around age, tenure, ethnicity which is managed within our HRIS. (Respondent H1)

To understand who is leaving and why we conduct exit interviews. All this information is managed confidentially. (Respondent J1)

Obviously when people apply for a particular vacancy we require CV information such as education qualifications, prior experience, and referee information. All this information is available within the HRIS. (Respondent K1)

In addition to measuring and managing recruitment-related information, the banks report information such as turnover, retention and job description, for example:

Implementation of key strategies focussed on retaining employees that join the ... (Name of the bank) have resulted in our new starter retention rate increasing to 86.7%, exceeding target. (Annual Report, Bank G, p. 65)

Voluntary turnover rate refers to employee-initiated exits (such as retirement or resignation) only. (Annual Report, Bank J, p.20)

Job Description – Banking Consultant Department, Job Description – Customer Services Officer Department (Website, Bank K)

Of three types of information: recruitment, retention and attrition, it was revealed that retention information was considered relatively important. Three banks' respondents (from Banks G, H and J) mentioned the topic with Bank G admitting they were highly concerned about it, because they wanted to retain employees for as long as possible.

In terms of knowledge, we have a measure called new starter retention and high performer retention. When it comes to new starter retention, we want to ensure that we retain employees with a maximum of 12 months of service in ... (Name of the bank). This is to minimise the cost of recruiting new employees. It costs lots to train and induct a new employee and the cost is quite high. In terms of retaining knowledge we want to make sure we keep new starters as long as we can. (Respondent G1)

Bank G's respondent identified their concerns, stating they have two such measures: new starter retention and high performer retention. New starter retention is clearly concerned with the problem of keeping new employees. In measuring new starter retention, the banks want to ensure that they retained new employees for a maximum of 12 months of service in the bank. High performer retention documented the rate of the most talented (in terms of contribution to the bank's operations) workforce retained by the bank. In measuring high performer retention, banks focussed on retaining at least 95% of high performers in the bank.

The high performer retention is particularly looking at our talented employees who score highly in the performance measures in here. Based on what score that got last year for an example, we try to retain at least to 95% of our high performers. (Respondent G1)

The evidence presented above indicates that banks are in fact MMR information relevant to recruitment, retention and attrition (including turnover). It also documents what appear to be uniformly common business practices in the banks.

7.3.3 Diversity and equality

All banks noted that they provided equal opportunities for everybody because they welcomed recruiting diverse employees. Diversity included gender, age, ethnicity, accessibility, culture, sexual orientation and religious belief (Refer to Section 5.3.2 above). For example, Bank G stated that,

... (Name of the bank) has a group diversity policy that sets out the diversity initiatives for the ... (Name of the bank). In this context, diversity covers

gender, age, ethnicity, accessibility, flexibility, cultural background, sexual orientation and religious beliefs. (Annual Report, Bank G, p. 33)

Further, in recruiting a diverse set of people, the banks gave the impression that they provided equal opportunities to everyone and did not discriminate in their hiring practices. For example:

Under leadership we check how many employees we put through various leadership roles. We also have measurement of women in leadership. And this is purely around equal opportunity. (Respondent G1)

In 2010, when ... (name of the bank) commenced its diversity journey, the organisation conducted in depth research into why it had a workforce of equal proportions of men and women (Case Study for Diversity, Bank J, p. 16)

Importantly, banks appear to believe that diverse employees have innovative ideas because their perceptions are different and this provided banks with multiple ways of seeing the world, solving problems and working together.

The Board recognises that a diverse and inclusive workforce is not only important for employees but is also central to the Bank's ability to create and sustain value. Increased diversity in people generates diversity in thought, greater innovation and stronger decision-making. (Annual Report, Bank J, p.5)

Bank J added that:

If bank attracts and retains the best employees, they respond more quickly and effectively to satisfy customer needs which enhances performance.

Bank J believed that a diverse workforce not only increases returns, but also achieves some form of advantage over competitors.

At ... (Name of the bank) our strength is our diversity. Our competitive edge and adaptability lies in our collective strength of experience, skills and culture that each of us brings to our bank. (Website, Bank J)

For Bank G, diversity provided the basis for creating a high performing, inclusive culture, which enhances the workforce's quality and productivity.

We believe diversity, flexibility and inclusiveness are vital to improving the quality and productivity of our workforce. (Annual Report, Bank G, p.17)

Thus, it is clear that owing to a perception that diversity and equal opportunity are imperative in providing benefits, banks in New Zealand are inclined to MMR diversity and equality information.

First, referring to measuring diversity and equality information, respondents provided the following comments.

We continue to play a leading role in gender diversity, with women accounting for 42% of our senior management team, up from 32% three years ago. (Annual Report, Bank G, p.5)

Total number of incidents of discrimination and actions taken...(Annual Report, Bank G, p. 15)

We reviewed our succession planning, with the bank now having 24% of current succession plans featuring women. Women make up 53% of... (Name of the bank)'s identified talent group. These are both high-performing and high-potential employees. (Case study, Bank J, p. 18)

As Bank G noted, the bank measures gender diversity, especially women in senior management, including the extent the rate has increased, and the total number of incidents of discrimination and actions taken over them. Similarly, Bank K stated that as a result of the bank's succession plan, 53% of women have been identified as a talent group. In addition to the above measurements, the banks found reporting of more diversity information in the annual reports.

Work together as one team to deliver the best outcome for customers and the best outcome for the organisation. This includes further strengthening our customer-centric, high performance culture and enhancing the diversity and wellbeing of our workforce. (Annual Report, Bank G, p. 9)

Continue to make progress against our Group diversity targets and embed initiatives that aim to improve the gender balance. (Annual Report, Bank J, p. 27)

It seems that other than diversity indicators, banks further report on banks' diversity targets and their plans to increase the diversity of workforce. Based on the above comments, it seems that banks measure and report diversity and equality information. In addition, Bank H and K provided insight into the managing of it.

We do manage all required employee information including diversity, equality, efficiency, and engagement. (Respondent H1)

Other than details about performance management, we record all our employee details electronically including demographic, diversity, engagement, and health and safety. For the performance management, we use manual recordings at the moment. (Respondent K1)

Based on the above noted comments, it seems that the banks in New Zealand are engaging in MMR diversity and equality information.

7.3.4 Employee welfare

Teti and Andriotto (2013) identified six main categories of employee welfare such as benefits, assurances, services, welfare (nursery, children summer camps), promotional agreements, and technology. Holding similar views, respondents' comments and secondary information (from annual reports and websites) revealed that the banks in New Zealand provide welfare to their employees which mainly consists of financial and non-financial benefits. More importantly, these benefits were found to be MMR by the banks in New Zealand.

In terms of financial benefits, respondents from all four banks commented that they measure employee benefits such as employee share plans, employee entitlements to annual leave, and salary rates, in order to manage them in an electronic data base, and finally report to external stakeholders via websites and annual reports. The following first comment shows the measuring of employee financial benefits, the second the managing, and the last two comments show the reporting of them.

The liability accrued in respect of the ESP (Employee share plan) at 30 September 2013 is \$28 million (2012: \$28 million) and is provided for as other employee benefits. (Annual Report, Bank G, p. 189)

We use a different system called ... (name of the system) for managing our employee information. That can electronically put all individual ratings and see whether they fix the bell curve. After that the information is linked to the payroll system. (Respondent H1)

In return we offer an attractive remuneration and benefits package (Website, Bank J)

Employee Benefits -The amounts expected to be paid in respect of an employee's entitlements to annual leave are accrued at expected salary rates. Liability for long service leave is calculated and accrued in respect of all applicable employees using an actuarial valuation. (Annual Report, Bank K, p. 19)

Some banks reported in their annual reports and websites that they provided a variety of non-financial rewards, in addition to financial benefits, such as study allowances, travel benefits, and insurance cover for employees. However, banks did not provide evidence of measuring and managing non-financial benefits.

To promote continuous learning, we offer an allowance for part-time study, under certain circumstances, and aim to be flexible around exam times and with leave for exam study. (Website, Bank H)

At ... (Name of the bank) we offer our employees outstanding benefits including: life, total permanent disability and income protection insurance, medical insurance, staff banking - access to a range of staff banking

discounts and a personal financial needs assessment upon joining, lifestyle leave - recognising at times you may need more than four weeks annual leave, you'll have the opportunity to purchase up to two weeks additional leave a year, two days paid volunteer leave encouraging you to give back in your community, parental leave, top-up supplier discounts on products and services such as electronics, travel & holidays, gyms and fly buys. (Website, Bank J)

Similarly to the above, many financial and non- financial benefits were indicated by banks in New Zealand as demonstrated in Table 7-9 below.

Table 7-9: Employee welfare

Measure	Manage	Report
Employee financial benefits (Short-term and long-term Incentives, loans to directors and other key management personnel, key management compensation, termination benefits, defined contribution plans, defined benefit plans, salaries and covering other staff expenses)	Salary information	Employee financial benefits (short-term and long-term Incentives, loans to directors and other key management personnel, key management compensation, termination benefits, defined contribution plans, defined benefit plans, salaries and covering other staff expenses)
No evidence found	No evidence found	Employee non-financial benefits (Equity based compensation, professional subscriptions, long service leave, corporate uniforms, travel benefits, bank vehicles, smart phones, laptops, staff gym facilities, regular balls, regular social functions and fully subsidised medical insurance)

7.3.5 Employee relations

Banks provided evidence of MMR employee relations information such as employee profile, engagement, and employee acknowledgement, as demonstrated in Table 7-10 below.

Table 7-10: Employee relations

Measure	Manage	Report
Employee engagement (CSR, enablement, engagement, materiality review)	Engagement information	Engagement (support to senior employees, engagement volunteering, enablement)
Employee profile (employee breakdown by employment	Employee profile	Employee profile (profile of

type, employee breakdown by region, gender breakdown, age profile, full time equivalent, headcount)	KMP)
No evidence found	No evidence found
	Employee acknowledgement

Previous studies recognised the importance of employee engagement (Ali et al., 2013; Scherrer et al., 2010; Slack et al., 2015). Holding a similar view, almost all banks in New Zealand emphasised the engagement aspect very strongly, for example:

We were all aware that if we have high levels of engagement, we have better customer experiences, we sell more and therefore we make more money. (Respondent H1)

Further, we encourage them to engage with the social activities. (Respondent K1)

Another thing we are looking at is engagement of employees. (Respondent K1)

Owing to the importance of engagement, banks appeared to MMR information about employee engagement, as described in the comments below.

I guess measuring employee engagement provides us with an indicator of how well or otherwise our employees are engaged. (Respondent H1)

From 2010/11 to 2011/12 our staff participation in voluntary activities during company time increased from 62% to 76%. (Website, Bank J)

Then there would be things like the employee's engagement survey, we might have exit interviews as well, say for example. There is quite a range of information that we would manage and it tends to be managed within specific systems like the HRIS. (Respondent H1)

A particular highlight this year has been the high level of employee engagement. Our people are deeply committed to the Group's vision and purpose, in essence helping our customers and our communities to prosper and grow. (Report-AGM 2013, Bank G)

As stated in first and the second quotes, Banks J and H measure employee involvement levels, which thereby provides insight into the extent to which the employees are engaged. In the third quotation, Respondent H1 noted how they manage engagement information through HRIS, and in the fourth comment, Bank G reported in their annual report that employees engage with the community helping customers and communities to prosper and grow.

Similarly, banks were found to MMR employee profiling information such as prior experience, age, and term of office. As indicated in the comments below, banks measure the years of experience of key managerial personnel and report in the annual report, together with other information such as designation, prior positions, and current directorships. Also all this information managed is within the HRIS.

Name: Mr. X, BA, LLB (Hons.), Age: 63, Term of office: Director and Deputy Chairman since December 2008, Date of next scheduled re-election: December 2014, Independent: Yes, Current directorships of listed entities and dates of office: Nil, Other principal directorships: Chairman of Allianz Australia Limited. (Annual Report, Bank G, p. 45)

So there is a kind of profile information around age, experience, tenure, ethnicity which is managed within our HRIS. (Respondent H1)

Mr. X- Managing Director and CEO- Mr. X became managing director and CEO of ... (Name of the bank) in October 2008. A career banker, Mr. X has lived and worked in New Zealand for 17 years across various positions in the New Zealand and Australian banking industries. Prior to joining ... (Name of the bank), Mr. X was head of retail banking at ... (Name of the bank) from 2005. Beginning his career as an economist at ... Holdings in Auckland, Mr. X has held senior management positions at Commonwealth Bank and at ASB where he worked for 10 years. (Website, Bank J)

In addition, employee acknowledgement was also reported by banks. Specifically, banks reported that the banks acknowledge their employees because without employee support and dedication, banks could not have achieved their success.

The success of ... (Name of the bank) over many years could not have been achieved without the support and dedication of our 36,000 people and my thanks go out to all of them. We will continue to invest in and develop our people because it is these individuals, collectively, with their courage and their passion that differentiates the ... (Name of the bank). (Annual Report, Bank G, p.5)

Confirming Bank G's views, Bank J stated that the banks appreciate the innovations, enthusiasm, and commitment of employees towards the banks.

Finally, on behalf of the Board, I would like to thank ... (Name of the bank)'s people for their innovation, enthusiasm and commitment throughout the year. (Annual Report, Bank J, p.5)

Similar views were provided by Banks H and K. Based on the evidence presented above, it seems that the banks MMR employee relation information including engagement, profiling and acknowledgement.

7.3.6 Information required by regulators

The New Zealand banks were also found to MMR regulatory information, some of which was applicable in general, and some related to employees. For example, as stated in the comment below, it was obligatory for banks to make sure that their employees were not involved in any fraudulent activities.

So, from a basic point of view, we do have lot of checks in place to make sure the employee hadn't any fraudulent activities. (Respondent G1)

Further, it was expected that the employee would gain a sound knowledge of the applicable laws, administration policies, dealing with customers, corporate governance, codes of conduct and dispute resolution processes relevant to the banking industry.

There is compliance and knowledge related to specific pieces of legislation. So we have the likes of the Financial Advisors Act, which puts constraints around what we can and cannot tell our customers depending on which roles we occupy. Then there is also the Anti-money Laundering Act (AML), the AML, which has implications for how we work with our customers as well. (Respondent H1)

We should have sound knowledge on regulatory aspects such as codes of conduct, dispute resolution process, and corporate governance. (Respondent K1)

Adherence to all these regulatory obligations should be crucial; hence, banks have to measure some employee related information, then properly document it and report it to the relevant regulatory authorities. For example, almost all banks indicated that they have to take responsibility for assessing the qualifications of key management personnel upon appointment in order to make sure that the person was suited for the position and then, document them in order to report to the Reserve Bank of New Zealand (RBNZ).

Fit and Proper Person assessments- We have a Board approved Fit and Proper Policy that meets the requirements of the related APRA Prudential Standards. In accordance with that policy, we assess the fitness and propriety of our Directors and also of employees who perform specified statutory roles required by APRA Prudential Standards or ASIC guidelines. ...In all cases the individual is asked to provide a detailed declaration, and background checks are undertaken. Assessments occur upon appointment to the relevant position and are re-assessed annually. (Annual Report, Bank G, p. 32)

We have quite ... compliance pieces that we need to adhere to. We have responsible personnel who make sure that we adhere to those compliance requirements. I guess they manage all necessary information. (Respondent J1)

That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless: (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and (b) the Reserve Bank has advised that it has no objection to that appointment. (Annual Report, Bank K, p. 5)

The reason for a selective focus on MMR of the above fit and proper compliance requirement can be attributed to the pressure that comes from the regulatory bodies. Banks in New Zealand all provided insurance services to customers, thus, complying with the requirement for assessing fit and proper persons is a must. In the case of New Zealand, the Australian Prudential Regulation Authority (APRA) requires the regulated institutions to take necessary steps to make sure that the responsible persons are fit and proper for these positions (Australian Prudential Regulation Authority (APRA), 2005). Similarly, the requirement for a fit and proper certificate was stated in Sections 18 and 37 of the Insurance (Prudential Supervision) Act 2010 (Insurance (prudential supervision) Act, 2010). The Act requires that all directors and relevant officers should be fit and proper for holding their respective positions.

7.3.7 Health and safety

As Bank H indicated in the comment below, employee health and safety is important; thus, it is taken as an employer's responsibility.

We are committed to health and safety practices at ... (Name of the bank), and we have a dedicated team of health and safety professionals to assist.
(Website, Bank H)

Owing to the importance of work place safety, banks appeared to be consider that MMR of health and safety information is a must. The banks in New Zealand disclosed during the data collection process that they MMR a wide range of health and safety information, such as time lost to illness and injury rates, health and safety, and risk prevention programmes, workforce participation, percentages in various programmes, health education and other forms of training, psychological counselling and on-line health monitoring (Refer to Appendix B). The following comments indicate the banks' practices on MMR health and safety information.

On addressing the measuring of health and safety information, respondents indicated that they have a strong safety culture which reduces the lost time injury rate and improves employee awareness on health and wellbeing.

We have made significant progress in embedding a strong safety culture across the Group, our LTIFR (lost time injury frequency rate) results improving 23%, well ahead of target. (Annual Report, Bank G, p.65)

More than 12,200 employees have registered on our Health & Wellbeing portal and 5,250 have completed the online health check. (Annual Report, Bank J, p. 19)

We have measurements such as rates of injury, occupational diseases, lost days, and absenteeism, and number of work- related fatalities by region. (Respondent K1)

Managing of such information was also recognised by Bank H and K.

We have a number of policies in place to ensure that they (employees) are happy and healthy at work and at home. (Website, Bank H)

Employee health and safety is the most important part of our business, so all the information including measurements is properly managed within HRIS. (Respondent K1)

Except for Respondent K's views, all the other quotations stated above were extracted from public documents, which provide insight into the reporting of employee health and safety information.

With an understanding of the fact that the banks in New Zealand MMR health and safety information, next it is detailed why banks are interested in MMR. For this, Bank G offered information and it was recognised in Bank J's case study on diversity:

Health and safety topics covered in formal agreements with trade unions. (Annual Report, Bank G, P. 13)

... (Name of the bank) continuously goes beyond New Zealand's legislative requirements for workplace health and safety and is generous in other areas, such as leave entitlements and offers wellbeing programmes for employees, catering for health needs and extending, in many cases, to dependants. (Case study, Bank J, p.16)

The above comments showed that regulatory authorities and some social groups, such as employee unions, were concerned for employee health and safety which may be due to the regulatory framework of New Zealand to ensure the health and safety of employees by reducing workplace fatalities, work related injuries and work related diseases (Health and Safety in Employment Act, 1992). As stated by the Ministry of Business Innovation and Employment (2012, p. 1), every year, thousands of New Zealanders are killed or injured at work, or suffer from a work-related disease, which results in huge personal, social and financial costs.

7.3.8 Efficiency

As stated in Section 7.2.8, some indicators such as revenue per employee, cost per employee, and profit per employee are considered as efficiency indicators (Becker et al., 2001; Subrahmaniyam, 2009; Warren et al., 2011). Holding a similar view, banks (G, H and J) provided evidence that they MMR employee efficiency information including revenue per full time equivalent employee, profit per FTE employee, cost per FTE employee, and cash earnings per average FTE employee. All banks provided evidence into measuring employee efficiency, for example:

Operating expenses increased \$75 million, or 7% compared to 2012, primarily due to: ... This resulted in an increase in other operating costs per FTE (Respondent G)

We also measure profit per FTE, cost per FTE (Respondent H1)

We measure employee efficiency through revenue per FTE. (Respondent J1)

Another efficiency measurement is revenue per Full-Time Equivalent Employee (FTE) (Respondent K1)

Managing of this information was also noted in the interview with Bank K.

We have an electronic information system and other internal reporting systems to manage and keep up to date information. We record all employee information such as health and safety, efficiency, demographic information, and training.

In addition, efficiency indicators were found in the annual report of Banks G and J as follows.

Delivered increased revenue per FTE (full time employee), in line with the target. (Annual Report, Bank G, p. 65)

Cash earnings per average FTE (\$000s) for year 2012 are 385 (Annual Report, Bank J, p. 23)

The evidence presented above indicates that banks are in fact MMR relevant to employee efficiency information.

In summary, New Zealand banks were found to be MMR eight categories of information: training and career development, employee recruitment, attrition and retention, information required by regulators, employee relations, employee welfare, diversity and equality information, employee health and safety, and efficiency. As stated in the Sri Lankan findings, some of the above information categories support previous studies (Refer to Section 7.2 above); however, literature provides evidence that MMR of information had been investigated as separate phenomena in different

industries and no evidence was found focusing on all three phenomena together in the banking sector.

Sections 7.2 and 7.3 above have demonstrated what banks in Sri Lanka and New Zealand MMR on HCI. Drawing on these findings, the next section compares the three phenomena between the two countries.

7.4 Comparison of measuring, managing and reporting of human capital information between Sri Lanka and New Zealand

This section examines the extent to which HCI is MMR in Sri Lanka and New Zealand differently, recognising that Sri Lanka is a developing and New Zealand a developed country. More specifically, this section addressed the fifth research question of this thesis: “How does the measuring, managing, and reporting on HCI in the banking sector in Sri Lanka differ from these practices in New Zealand. Why might any differences be so, and to what end?” Figure 7-1 below illustrates the extent to which MMR was different between the two countries. The overall insight that can be obtained by looking at the above figure was that MMR on HCI was, to a great extent, similar in both countries, with the exception of informal HCI. This section discusses the similarities and differences between banks in these two locales.

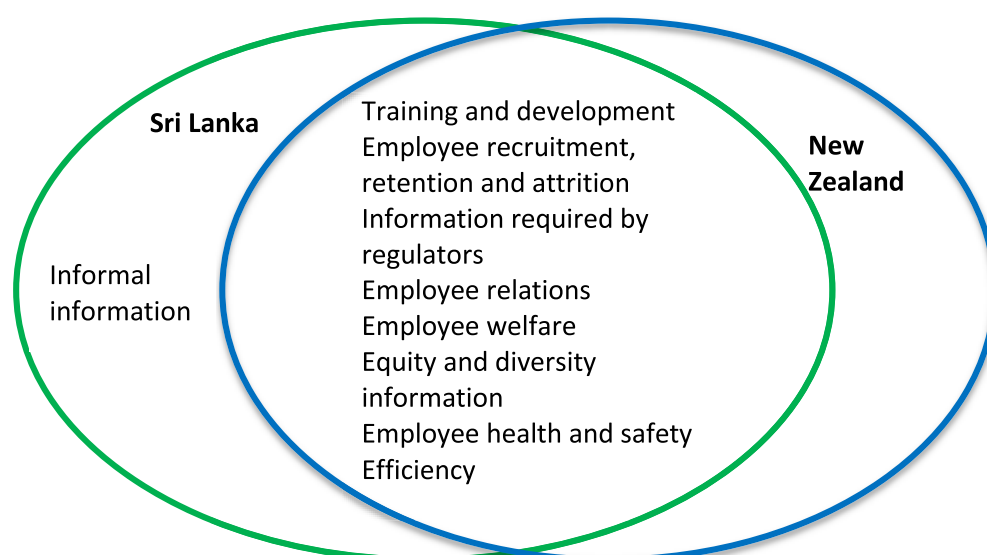


Figure 7-1: Comparison of measuring, managing and reporting of human capital information between Sri Lanka and New Zealand

First, it was found that the banks in both countries MMR on training and development information. In addition to the above similarity, the following distinct differences were also observed between the two contexts. The Sri Lankan banks provided training to employees in order to develop them up,

rather than to train them to develop values, skills and knowledge useful only to the business; whereas the New Zealand banks provided operational skills simply so employees could perform their jobs better. New Zealand was more about job-specific training than career-specific training; however, although the training provided was different in the two countries, the expectations for training and development were found to be similar: preparing employees to achieve higher performance levels on the job.

Second, banks in both countries seemed to MMR a considerable amount of information, starting from observations made during recruitment and moving through to the characteristics of attrition. Although there was similarity across countries in terms of recruitment, retention and attrition information, some dissimilarities were also found. Specifically, Sri Lankan banks appear to manage information on employee job descriptions; however, no evidence was found on measuring or reporting on them. In contrast the New Zealand banks were concerned with not only managing job description information, but also reporting in their websites.

Banks emphasised that some of the HCI required by regulators must be MMR to satisfy the regulatory rules that the banks have to obey in relation to how they conduct business and how they deal with customers and staff; thus, the MMR regulatory information is common in both contexts.

Fourth, regarding the employee relation information category, both the Sri Lanka and New Zealand banks seemed to be interested in building relationships with their employees. For this, both banking sectors were found to use employee engagement, employee recommendations, employee profiling, and managerial acknowledgement to build relationships with employees.

Fifth, another similarity was observed in terms of employee welfare between the Sri Lankan banks and the New Zealand banks. The banks interviewed in both countries provided employee benefits, especially non-financial benefits to their employees. However, no indication of managing and measuring of non- financial benefits is noted in the two locales.

Sixth, MMR of diversity and equality information was found, to a great extent, to be similar in both the Sri Lanka and New Zealand contexts. However, in terms of Sri Lanka, it was observed that no respondent commented about diversity or equality information particularly, but reported it in their annual reports.

Seventh, two similarities were observed in terms of the health and safety of employees between the Sri Lankan banks and the New Zealand banks. The first of these was that the banks interviewed in both countries MMR information on health and safety and risk

associated with employees. The second of these was that both banking sectors ensure health and safety by adhering to the mandatory requirements that ensure better working conditions.

Eighth, efficiency was identified as an information category which was MMR by the Sri Lankan and New Zealand banks. Both banking sectors provided evidence into the MMR of indicators such as cost per employee, profit per employee, and revenue per employee; however, no indication was found of MMR on training efficiency and growth in the number of branches vs employees by the New Zealand banks.

Ninth, there was a significant difference between the two banking sectors in the management of informal information. This information category was notably emphasised by the Sri Lankan banks, but was absent in the New Zealand context. Banks in Sri Lanka managed informal information in terms of decision making, especially when making recruitment, promotion and transfer decisions. As the banks remarked, informal information had the ability to alter the decisions that were made based on formal information. Section 7.2.9 above documented that the culture of Sri Lanka was likely to be responsible for banks managing informal information. It is not likely that the lack of concern for informal information by the banks in New Zealand could be attributed to the tendency for using standardised practices for employee recruitment. This was confirmed by Taylor, Keelty, and McDonnell (2002) finding that many New Zealand organisations follow highly standardised recruitment procedures for recruitment.

7.5 Summary

In order to provide a comprehensive understanding of HC and how banks both view and integrate the resources into their operations, this study has explored three interrelated concepts: measuring, managing and reporting. This chapter reviewed what the banks in Sri Lanka and New Zealand MMR with regard to HCI. In the case of Sri Lanka and New Zealand, this chapter identified the following predominant themes (Refer to Table 7-11 below).

Table 7-11: Summary of measured, managed and reported human capital information

Sri Lanka	New Zealand
1. Training and career development	Training and career development
2. Resourcing, attrition and retention	Recruitment, attrition and retention
3. Compliances	Compliances
4. Employee relations	Employee relations
5. Employee welfare	Employee welfare
6. Diversity and equality information	Diversity and equality information
7. Health and safety	Health and safety
8. Efficiency	Efficiency

9. Informal information	N/A
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As clearly shown in the table above, except for informal HCI, MMR on HCI was similar to a great extent between banks in these two contexts. The above findings contribute to the literature in many ways as described below.

7.6 Contribution

First, the findings of the present chapter contribute to the HC literature by providing a more comprehensive view of three critical concepts integral to it (measuring, managing and reporting), especially investigating what attributes banks MMR on. Although there is research focussed on these three concepts, much of the research has been only been considered the phenomena individually and the extant literature fails to examine them together (as discussed in Section 2.3 above). From the perspective of this thesis, this is a glaring omission in that they form an inseparable whole. In addition, the use of qualitative methods in examining these three integrated practices is particularly rare. There is thus a need for more empirical research which explores MMR on HCI as a complete phenomenon (Dumay & Garanina, 2013; Guthrie et al., 2001; Guthrie et al., 2012; Marr & Chatzkel, 2004). The present chapter addressed these gaps in the literature, through providing a systematic analysis of MMR on HCI using a qualitative framework.

Second, this chapter explored three HC phenomena in the banking sector. Prior to this study, there have been no comprehensive analyses conducted in either the Sri Lankan banking sector or that in New Zealand. Thus, this thesis makes a contribution to the banking literature by providing a more comprehensive understanding of what two countries at different levels of economic development MMR on HCI.

Third, the findings revealed that among many HC attributes that are measured, managed, and reported, Sri Lanka banks unofficially manage “informal HCI”, together with other employee information. More importantly, it was revealed that informal information was powerful enough to change some decisions that were made based on formally measured, managed and reported information. This has not been addressed in any prior study in this field. The finding thus introduces the concept as distinctive in its own right, along with the potential for interesting research and argument about using these sorts of unofficial influences in HC practices.

Fourth, as stated in Section 1.2, measuring and reporting were identified as the process of accounting for HC. In relation to these two functions, the findings of this thesis show that the Sri Lankan and New Zealand banks deliberately measure and report HCI. Significantly, the findings

clearly suggest that this situation may common to both developing and developed countries. Thus, this study contributes to the existing literature revealing that the banks in both contexts proactively engaged in measuring and reporting of HCI and this practice is likely to continue, as it provides great benefit for the banks. This may encourage the accounting profession, researchers and industry personnel to build a debate on including HC issues within the accounting framework in Sri Lanka and New Zealand.

Fifth, this study further compared the nature of MMR on HCI and found that the banks of both countries collect and assess MMR information such as training and career development, resourcing, attrition and retention, compliance, employee relations, employee welfare, diversity and equity information, health and safety, and efficiency. No previous studies have observed such similarities between Sri Lanka and New Zealand in the field of HC.

Sixth, in-depth categorisation of the data revealed that although the bulk of the information obtained appeared to be similar, there was significant difference between the two banking sectors in the management of informal information. This information category was notably emphasised by the Sri Lankan banks, but was absent in the New Zealand context. The culture of Sri Lanka was likely to be responsible for banks managing informal information. The lack of concern for informal information by the banks in New Zealand could be attributed to the tendency to use standardised practices for employee recruitment, training and retention. This difference between the two contexts was not noted in previous studies.

This chapter presented a comprehensive understanding of what information Sri Lankan and New Zealand banks were measuring, managing, and reporting. The explanations, however, did not provide a reason for why banks deemed MMR on HCI as important; thus, the overall views of the banks and why the banks in Sri Lanka and New Zealand want to MMR on HCI will be explored in Chapter 8.

Chapter 8

The significance of measuring, managing, and reporting human capital information

8.1 Introduction

As stated in Section 7.1, although the MMR is identified as a series of activities related to HC no contemporary, comprehensive exploratory studies have been found on the three phenomena of MMR simultaneously. Thus, in identifying the various dimensions of HC that are measured, managed, and reported by the banks in Sri Lanka and New Zealand in Chapter 7, this chapter explores why banks in New Zealand wanted to MMR on HCI as a whole. In doing so, this chapter responds to the research questions: “Has the banking sector deemed measuring, managing, and reporting to be important, and why?”, and “How does measuring, managing, and reporting on human capital in the banking sector in Sri Lanka differ from New Zealand, why might this be so, and to what end?”

Following a similar procedure to Chapter 7, this chapter begins with the findings of Sri Lanka, followed by those from New Zealand and concludes by comparing and contrasting the findings. Finally, the results are discussed with the support of theoretical notions.

8.2 Reasons to measure, manage and report human capital information in Sri Lanka

The reasons banks in Sri Lanka MMR on HCI fall into two categories: (1) internal management purposes and (2) external reporting purposes. This classification is supported by Marr et al. (2003) in their review on the reasons for measuring intellectual capital including HC. They categorised all the reasons into two as the internal perspective and externally driven reasons.

For internal management purposes, Sri Lankan banks MMR for six critical reasons: 8.2.1. Making sure banks achieved set targets; 8.2.2. Taking remedial action after identifying problematic situations; 8.2.3. Controlling employee-related expenses; 8.2.4. Ensuring the confidentiality of information; 8.2.5 Enhancing efficiency; and 8.2.6. Making decisions. There were three categories of external reporting: 8.2.7. Accountability; 8.2.8. Achieving an advantage over competitors; and 8.2.9. Employee awareness and recruitment, career development, and acknowledgement. Figure 8-1 below graphically displays these.

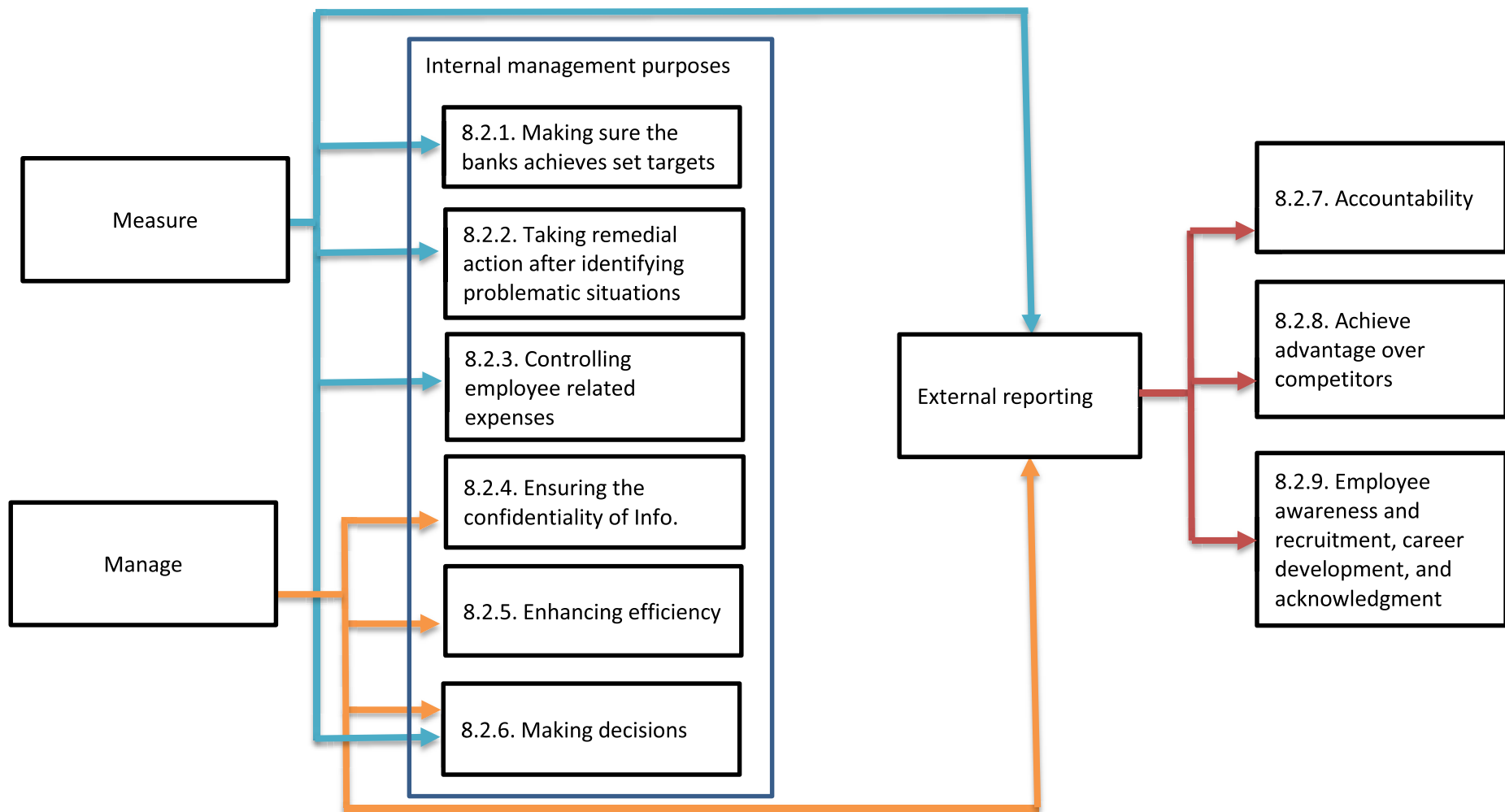


Figure 8-1: Importance of measuring, managing and reporting human capital information in Sri Lankan banks

Internal management purpose

8.2.1 Making sure banks achieve set targets

Banks in Sri Lanka noted that they measure HCI to ensure that they achieve set targets for example,

Actually, my target is to achieve training hours per year. That is a key target of mine and training division. I am running behind that. We have separate staff members for statistics. He does the necessary calculations and sees whether the training division achieves its targets. (Respondent A1)

I should run the branch to achieve the given targets. This target is financial. To achieve that financial target, I need to use competencies or capabilities of my employees. If competencies are not enough to achieve the target we need to take necessary actions such as train them or develop them. Sometimes we need counselling as well. If the competencies are satisfied then we need to reward. For this we need to measure the competencies. (Respondent B5)

So we have to continuously invest in the skills of these people. If we do not measure, how do we ensure whether we achieved our expectations? (Respondent C4)

We have a rule as a 70%-30% rule. Let say for branch employees. If they don't achieve their branch targets, your performance is affected by 70%. It is a very serious thing. Obviously we have to do the necessary calculations to see how close you are to your targets, because it can affect your performance. (Respondent D2)

As noted above, Respondent A was given a target to complete predetermined training hours per year. Respondent B, who is a branch manager, was expected to achieve financial targets. Further, as Bank C stated, they have targets to invest in the skills of employees. Similarly, Bank D also noted that they have a rule “targets vs. performance”; thus, it is necessary to achieve those targets in order to enhance the performance level. A common view of all three respondents was that they have to measure information (for example, training and development and competences) to see whether they have achieved their targets.

Banks further remarked how the measurement helps in ensuring the achievement of targets. For example a respondent of Bank B stated, to ensure the achievement of set targets, the first step is to assess the current status of employees.

Sometimes, we have to have a scale to know our current status. If you do not have a scale how do you know where you are? And where (do) you

want to be? To monitor our employee status, we need to measure our employee information. (Respondent B1)

A similar view was provided by Respondent C4,

If we don't measure the efficiency ratio, then how do we know what the current status is?

The assessment of the current status of a particular measurement (for example efficiency) provides an opportunity for banks to compare it with the previous year to assess how much it has improved. If there was improvement, it was a positive sign of the achievement of set targets.

We want to measure employee information to know what the current status is and whether there is an improvement, etc. (Respondent C4)

If there is no improvement in the measurement, banks can take action to improve the indicator in the next year. As respondents stated:

For an example, our operating expenses increased from 2011 to 2012. We have identified that the increase is mainly due to increases in staff costs. We have taken the required action to cut down the cost and finally, we could achieve a better level in 2013. (Respondent A3)

As Respondent A3 remarked, the bank measured the current year's employee expenses and compared this to the previous year to know whether the bank had improved. If the current year's staff costs were higher than the previous year, it affected the overall cost to the bank, which affected the bank's overall target achievement. The bank needed to ensure that the overall targets were improved through cutting down employee-related expenses. Respondent A3's view was confirmed by Respondent D1 who stated that:

Indicators (measurements) show us a current situation. Based on these indicators we do decision making to uplift the bar.

This means that though qualitative information is valuable, without having quantitative employee information, it was not possible for banks to know whether they had achieved their set targets. Confirming the banks' views, Marr et al. (2003) documented the key role that measuring intellectual capital (HC was considered as a part of intellectual capital (Garcia-Meca, 2005)), had in formulating and executing organisational strategy. Similarly, Robinson (2009) demonstrated in her discussion that measured HCI helps in achieving organisational objectives.

Apart from emphasising the importance of measuring in ensuring the achievement of set targets, Bank B further added the reason they need to achieve the targets.

We do measure our employee related information in different ways. We want to make sure these measures increase in the next year and thereby achieve our targets. It is a sign of a value addition. (Respondent B1)

Target setting means establishing what an organisation wants to achieve (Oxford Dictionary, 2010) and, as Kameyama and Kubota (2010) stated, in order to deal effectively with any type of action, concrete targets must be set and then actions implemented in a way that is consistent with the targets. Targets provide a direction for organisations and motivate management to strive for high performance levels, which maximise shareholders' value (McTaggart & Gillis, 1998). No company creates value for shareholders without strong earnings performance, which can come only from having highly motivated staff (Barfield, 1999). Thus, it was essential for organisations like banks to measure HCI to ensure that the banks' employees were capable of achieving the bank's targets, and thus add value to shareholders by enhancing their investment.

8.2.2 Taking remedial action after identifying problematic situations

Measuring HCI identifies problematic situations and then allows for the taking of remedial action. In terms of identifying problematic situations, Respondents commented that:

This (measuring) helps to identify issues that you are going to face in the future. If the figure is continuously going down then you know there is something wrong. (Respondent B2)

If the T/O ratio is considerably high that mean we are in a trouble. Then questions arise as to why T/O rate is so much? What have you done about it? (Respondent C1)

Confirming C1's view, C3 demonstrated the requirement of taking remedial actions over the concern with a higher rate of employee turnover.

The Bank operates in a competitive environment in which trained staff are in demand across the industry. It has been assessed that the employee turnover is caused mainly by better prospects, head hunting from competing banks locally, inadequacy of career progression and a heavy workload. Because of these our T/O rate can be high. See, the turnover ratio for the permanent staff in 2011 was 12.9%. It is above the standard rate of 12%. If the T/O ratio is considerably higher that means we are in trouble. So we have to take remedial action for it as soon as possible.

In the above quotation, the employee turnover ratio was one measurement that banks reviewed annually to see the extent to which the banks' employees were leaving the bank. As the respondent C3 commented, the bank has a pre-determined standard for minimum turnover. Thus, bank management has to make sure the bank meets the expected standard. Where banks did not meet

the expected level, i.e. if the turnover ratio was unusual, the situation needed remedying. Providing an example, Respondent C1 stated how they find a remedy for turnover issues.

For an example, say we see lot of branch managers leaving. Then we call for a focus group discussion. Then ask them what the issue is. Then we address the issue and try to curtail T/O. So, likewise monthly for the management report, department-wise we give what the T/O is. We take corrective action for it.

Similarly, Respondents B4 and D3 noted how measuring HCI helped in identifying problematic situations, and took remedial actions to reduce the negative implications. As Respondent B4 stated, employees were rated according to their performance. If a performance appraisal of an employee showed a below average level, it indicated that the particular employee needed more training.

Those who got a very low rating are being given the signal to capture those people and train them. Even today I had a look at one performance appraisal which rates one secretarial assistant. He has been rated by the boss as 'adequate only'. That skill level is an alarming situation. We want to train him [to do better] now. So, now we are working to bring an external resource person here to conduct a training program not only for that particular person but for all secretarial assistants and secretariat levels.

As the Respondent in Bank D commented below, banks compare some measurements with the industry standard, because it gives them insight into where the bank stands. As stated in Section 7.2.8 above, employee efficiency was one measurement that was used to compare performance with the industry standard. An example of an efficiency indicator was cost per employee, which indicates how efficiently the bank used its employees. Banks compare employee efficiency-related indicators with industry standards and if the efficiency of the bank is below the industry standard, which is a problematic situation, banks have to take corrective action to improve the indicator.

As I said we have very strong competition. We have ... and other banks. Our profitability productivity, performance all these things we compare with the industry standard. It gives an insight as to where we stand, whether we stand ahead of others or behind. For an example employee efficiency ratios. These are very key indicators. How much is earned by one employee or what is the cost per one employee? For an example; let us say profit per employee. If our profit per employee is less than the industry standard, it is an alarming situation. This is place where we need to correct our self.

Clearly, banks measured HCI to identify problematic situations, many of which may be beyond the control of management. Moreover, these problems may not only disrupt normal organisational procedures, but might also have serious implications for overall bank effectiveness. Referring to high rates of employee turnover, Mowday (1984) emphasised that employee turnover is a costly and disruptive problem for organisations because it often has serious implications for overall

effectiveness. Further, there is a strong possibility that bank stakeholders are also affected. For example, a situation where low employee satisfaction negatively affects customer service (McHugh, Kutney-Lee, Cimiotti, Sloane, & Aiken, 2011) may, in turn reduce shareholders' returns (Ahmad, Bashir, Humayoun, & Mubariz, 2010). Thus, it is important to identify and take remedial action for problematic situations to minimise or buffer the negative consequences that could result (Mowday, 1984).

8.2.3 Controlling employee-related expenses

Although HC was believed to be one of the most crucial resources in the service sector (Mills, 1986; Quinn, 1992), it was one element that incurred substantial expenses for organisations. This was evident in the case of the Sri Lankan banking sector, for example training and development, salaries and wages, and other benefits. As banks highlighted, they attempted to control these expenses in order to reduce them. Measuring HCI was recognised as useful in controlling employee-related expenses.

As respondents remarked, banks were concerned for measurement, such as the number of recruits and the expenses incurred for and by employees because of the need to control expenses.

Respondents' examples were:

For example, we are very concerned about recruitment. We don't want to recruit staff for the sake of recruiting. We always follow 'minimal recruitment'. So, we need to control all these things. To control, we need calculations. (Respondent C4)

So, we have to control overheads which include expenses like personnel and administration costs. Personnel costs are mainly employee salaries. Administration costs include rent, etc. (Respondent D4)

The question was why were banks concerned about controlling employee expenses. In this regard, respondents noted that they want control expenses to enhance the revenue base.

Sometimes we are also under a little pressure. Some branch managers say that there are excess employees here and ask central management to take them back (reassign them to other branches or to the head office) because they want to control their costs to earn more profits. That is what these measurements have done to us. (Respondent D3)

Respondent B1 also provided a similar view.

Ok, for a branch manager we have been asked to show profits. So, the branch manager somehow or other has to earn profits. H/O don't tell how to. So they do some canvassing and cost controls, etc. (Respondent B1)

Confirming above, Respondent A1 stated that, these two actions: controlling cost and enhance revenue through improving customer base were, however, potentially contradictory.

Showing profits in a branch is not an easy task. Sometimes it is difficult to achieve with the H/O requirements. They asked us to control recruitment to minimise cost but at the same time asked us to bring in more customers. These are contradictory.

Enhancing revenue through superior customer service or expanding the customer base may need a higher level of employee engagement and motivation (Ahmad, Wasay, & Malik, 2012; Carter & Baghurst, 2014). One way of enhancing employee motivation and engagement is to provide more benefits to employees (Hossain & Hossain, 2012); however providing more benefits, can incur significant costs; thus, controlling employee related cost may not enhance banks' revenue.

This situation may create a tension in management about how to create a balance between two actions; controlling expenses to enhance revenue and incurring expenses to motivate employee engagement and thereby increase revenue. Among these two options, the latter could be recognised as a mechanism that banks can use not only to motivate employees, but also to portray themselves as socially responsible companies that care about their employees. Yet as Abeysekera (2008a) suggests, there is a high possibility that all industry sectors will be inclined to abandon social responsibility to maximise capital production.

8.2.4 Ensuring the confidentiality of information

Banks tended to manage HCI because of its apparent ability to ensure the confidentiality of information. From Bank A's perspective, Bank A manages HCI for two reasons; to safeguard personal information, and to avoid the loss of valuable information in the case the bank did not record, store and maintain information properly. Both are important because the bank deals with employee information that is highly sensitive.

Employee information is sensitive. I don't think anyone wants to see our own information available to everyone in the organisation. We understand that. So, we have to do everything to protect the confidentiality of the information. (Respondent A1)

I think we want to manage information because of two reasons. One is we need to safeguard personnel information. People can misuse this information maybe for personal reasons. The other reason is if you do not record, store and maintain information properly, it will result in loss of valuable information. So, you have to store it in a central place and have to take the backups as well. (Respondent A2)

Banks B and D also expressed the same view. Especially in the service sector, employee information flowing through the human resource section was growing daily. Thus, it was very important to maintain records in a way that protected the confidentiality of sensitive information because employees may otherwise not be willing to disclose information to others in the bank.

We maintain everything related to our employees in there. For an example; we are supposed to send progress reports of each and every employee working under me to the H/O. We send these documents confidentially to H/O. We keep a copy of this report in our system. We refer to these personnel files when we have a requirement to do so. For an example; at the time of their promotion, at the time of completing the performance appraisal, at the time of occurring issues related to employees. Otherwise we will lose valuable information (Respondent B5)

As I said, this (HC) information needs to be secured, accurate, timely, reliable, accessible, and complete etc. So, whatever the system we have to manage our employee information, we have to make sure that it protects the said qualities of information. ... And we make sure of the distribution of timely and accurate information to relevant authorities in a confidential manner. (Respondent D2)

As Respondent E1 remarked in the quotation below, if employee information was readily available for others to see, anybody would be able to misuse the information, perhaps for personal reasons. Further, from the privacy perspective, information like poor performance, low employee ratings and warning letters should not be made available to other, non-managerial employees in the bank. In a case where a bank discloses their employee's information to others, the employee may feel uncomfortable, which can result in employee demotivation/burnout.

We do not distribute confidential information to all employees. We do it only if we need to because we believe that employee information should be highly confidential. Especially, a piece of employee information should not be disclosed to other employees. Probably one can get motivated but we feel the other person will get demotivated. Even appraisal documents we also keep confidential. Appraisal forms can be seen by the particular employee only. Information updating is more important. Otherwise, all information is invaluable. (Respondent E1)

Bank C agreed with the view that employee information should be protected in order to reduce demotivation. Respondent C1 stated:

We have a records scheme where we recognise individuals who come up with innovative ideas. All these ideas are sent to a committee. The committee sits and goes through the best ideas and appoints a set of people to help those units/person/departments to implement new ideas.

On and off we carry out those kinds of projects to stimulate people's talents. We don't disclose this information. If we disclose it, others might use it.

By this view, the bank believed employees' innovative ideas could be considered as the bank's confidential information because innovative ideas form part of the bank's assets. One great idea could transform the business model; thus, it was crucial to protect ideas. Bright ideas could easily be stolen by other employees and passed on to other banks. Such "industrial espionage" could result in the demotivation of the particular employee who introduced the innovative idea. Thus, banks managed employee information in order to safeguard HCI. Extending the above view of the importance of managing HCI to assure confidentiality, respondents further stated that the Sri Lankan banks were concerned with protecting confidential employee information because of possible risk of trade union actions.

For example, we measure skill grading to identify an employee's skill level. By category there could be a segment where they are going to be rated very low. So this measurement is a mechanism for us to identify training requirements. But, if we are going to declare all the information there is a risk of incurring lots of problems. Employees might think it is discrimination. They will be demotivated. The other thing is we have a very powerful union. They don't want certain things to happen. There is a risk of unions taking actions. (Respondent B4)

We have two strong unions in our bank. We have to consider their requirements also. For example distribution of information. Employee information is highly sensitive, unions might take action if we distribute all information to everybody. So, we make sure of the confidentiality of employee information. (Respondent D4)

Pressure coming from unions was highlighted as a reason for the bank's concern with managing employee information. In privately owned organisations in Sri Lanka, the growth of trade unions was hard to see because of the failure of trade unions to adapt to the new challenges of private sector organisations (Global Union Federation (Sri Lanka office), (n.d.)). However, the banking sector seemed to encourage employees to engage with unions, perhaps because the banks gained advantages through maintaining healthy relationships with employees. This was consistent with the literature that indicated that employers preferred to deal with a group rather than handle disputes with each individual employee (Gamage, 2013).

In this study, the Pluralism interpretation (Clegg, 1975) could be used to explain the influence of managing employee information to reduce the pressure from unions. There is a high potential for conflict between two groups: management and employees, over work-related activities (Abbott, 2006; Budd et al., 2004); hence, pluralists acknowledge the existence of competing sources of

authority, especially trade unions, which act on behalf of employees' rights (Clegg, 1975; Fox, 1966). Sri Lankan banks recognise the power of trade unions, thus, they do not act in a way that might cause conflict. Banks believe the absence of proper management of information would make the information available to everyone in the bank, which would be likely to cause conflict. Thus, banks appeared to be very careful in managing information in order to minimise conflicts between trade unions and management.

8.2.5 Enhancing efficiency

The banks also recognised enhanced efficiency as a reason for managing HCI. As stated by Mokhtar et al. (2008), efficiency could be achieved through: (1) maximisation of output; (2) minimisation of cost; and (3) maximisation of profits. Consistent with Mokhtar et al. (2008), the Sri Lankan banks remarked that they wanted to minimise costs to enhance efficiency through managing HCI.

We expect something more from the managing of employee information such as improved efficiency through controlling cost ... (Respondent C1)

Through managing our employee information we expect to reduce information handling costs. (Respondent E1)

Further, Kumbhakar and Lovell (2003) suggested the enhancement of efficiency through obtaining maximum output from given inputs. Consistent with this view, banks noted that due to an effective HCI management process, banks could process information within a shorter period of time, with fewer man hours and paper work which in turn enhance technical efficiency.

Especially, a system like HRIS makes human resource information available at any time. We don't want to spend our time searching for information in the files. This is a matter of efficiency. (Respondent A3)

HRIS manages all employee information in a way that makes our work very easy. It helps us to manage our functions and technical things as required by policies and procedures. As I mentioned to you, all the information is in one place. So it is very easy to carry out analysis and generate reports for internal and external purposes. If we want to find something then we can do it very quickly. It is a matter of efficiency. It (HRIS) reduces the paper work and man hours etc... (Respondent B1)

We have to account for their details such as qualifications, experience. So, this information is easily available because of the computerised system. Certain information can be derived through the system very quickly without much effort. (Respondent E1)

Banks C and D also provided similar views. In summary, the above views indicate that the Sri Lankan banks tended to manage HCI to enhance efficiency through minimising costs and enhancing output

with less time, paperwork and man-hours. As noted by Mokhtar et al. (2008), efficiency was one way to investigate an organisation's performance. From this view, a bank could maximise the revenue/return by enhancing efficiency and thereby, maximised shareholders' interests (Akroush, Dahiyat, Gharaibeh, & Abu-Lail, 2011).

8.2.6 Making decisions

Providing timely, accurate, reliable and relevant information to internal users making diverse decisions was recognised as one of the reason for banks to measure and manage a wide range of HCI. This section begins with the banks' views on the measuring of HCI and its possible effect on decision making, followed by the link between managing HCI and decision making.

As respondents commented in the quotations below, measured HCI is indispensable for taking rational decisions.

Decision making depends on the measurements and judgements. If we can measure or assess all employee information that we have then it is easy to arrive at a justifiable decision. (Respondent B5)

That is why every month we monitor that. As I said we need to communicate these measurements in monthly meetings. At that time we decide what we going to do with it (measurements). It comes in our HR planning, budgeting etc. (Respondent C4)

If you don't measure I don't think we can use employee information for decision making. (Respondent D1)

As respondents remarked, employee related decisions such as promotions, resourcing and rewarding, are largely influenced by the measuring of HCI. Promotion decisions depend on the number of years of experience as well as pass marks in the exam set for promotion. Rewarding decisions are largely influenced by performance levels of employees and selection decisions are made based on the various evaluation methods.

The decision as to whether we recruit an applicant is based on the outcome of various evaluation techniques. (Respondent A2)

Our rewarding system is dependent on the performance level of employees. That is why we are serious about assessing employees' performances. If we don't make correct assessments, it will be a big problem. Definitely, it will cause incorrect decisions. (Respondent D4)

Some decision making purely depends on measurements, for example, employee promotions. According to our one promotion scheme, our basis is seniority. We consider seniority. Then we have a written competitive exam. Let's say there are two people called A and B, B is a fast track person. For

the fast track, the person should have 3 years of experience. Within a short period of time they can get promotion. We need banking qualifications plus basic degree or Masters. This is for the fast track people. These people can be promoted within 5 years' time. (Respondent E1)

Confirming the above views, Respondents A1, C1 and F1 mentioned that different measurements were used in succession planning, performance assessment, and training and career development for example:

Again with regard to competencies we have a special measurement called bench strength analysis. Bench strength analysis is how many employees in branches and teams, H/O are capable and willing to move in to key managerial positions. Basically, this is about measuring the number of the successors. (Respondent A1)

A rating is assigned based on their (employees') performance during the period under review (Respondent C1)

We do calculate some figures relating to our training and development also. We have an evaluation system where we get feedback from the supervisor. That is one measure to identify the TNA. (Respondent F1)

Accordingly, employee information is likely to be measured and communicated internally in a periodic manner to make diverse employee related decisions. Respondent A extended the above views describing why measuring is important in decision making rather than non-measured information. As noted in the quote below, the majority of HR information collected was qualitative and this qualitative information provides an opinion; thus it was not adequate for decision making. Instead, a bank can make use of a quantitative measure for decision making because it gives a clearer idea about the particular information.

HR information is basically qualitative in nature. For an example, employee engagement. We can say lots about employee engagement; what we do, who is engaging, why they are engaging, what we expect etc. The problem is, all the answers are explainable but not measurable. We can say, ok, last year all of our employees engaged with their job satisfactorily. Do you think this statement is enough for further decision making. It is just an opinion. If we say something like this, ok last year's engagement rate was 85%. That gives you something more. 85% of employees were actively engaged in their job. Based on those percentages we can take some actions to improve next year's ratio. (Respondent A1)

Accordingly, measuring HCI in the Sri Lankan banks was closely related to the banks' decision-making and previous studies have identified this relationship. Verma and Dewe (2008) found that management can make better decisions through measuring while Flamholtz et al. (2002), demonstrated that measuring facilitates decision making. The above views provided the impact of

measuring HCI on decision making. In addition, managing HCI was also noted as important in making decisions.

Managing employee information is really needed because this information is very much likely to be used for decision making. (Respondent A1)

Managing employee information makes our decision making easy, providing the required, correct information quickly. (Respondent B1)

We attempt to maintain our information system very effectively in order to make decisions. (Respondent D2)

We need to manage employee information for most of our decision-making. (Respondent E1)

Similarly to measuring HCI, respondents stressed that managing HCI is useful in making decisions at different stages of employment, for example, career development, promotions, transfers, and succession plans.

Sometimes this information is required for deciding the career path of the employees. This recorded and stored information does matter for decision making about promotions, succession plans and transfers. (Respondent E1)

Confirming Respondent E1's views, Respondents B4 and C4 provided further evidence of the importance of managing HCI to make decisions, for example, training and development, and compensation.

Based on past records we decide what type of training programmes we need to provide to develop our employees. (Respondent B4)

At the time of compensation, we have to look at the employment history; when they joined, how many years they have worked etc. (Respondent C4)

Managing HCI is recognised as important, not only for make employee related decisions, but also for operational decisions, for example, Respondent E1 noted that the bank is likely to use managed information for business purposes as well as career purposes.

We use both an electronic system and a manual system to manage employee information. If management needs information regarding staff, we provide according to the requirement. Sometimes, they need information for business purposes and/or career purposes. (Respondent E1)

Respondent B5 supported Bank E's view, providing an example of making an operational decision based on employee information. It is highly likely that the HCI is one influential factor when making branch expansion decisions. The HRIS (human resource information system) facilitates decision making by providing the necessary information.

In the H/O level also there are some instances where they refer to our employee information. Let's say there are some expansions going on in the branch. Then the planning department first goes through the HRIS and sees how many employees currently exist and how many will be needed in the future. Sometimes we could use the existing staff with more training. If there is a requirement for more employees, then, H/O decides what kind of employees are needed for the particular branch. Here they inquire from me as a branch manager. The number of employees depends on the area, volume of the business, number of customers that we handle, skills and competencies of existing staff etc. Using available information we make decisions. (Respondent B5)

The respondents' view on the association between managing information and decision making, supports previous studies. Goodman (1993) argued that the managerial decision-making is often based on inaccurate or incomplete information; thus, an organisation needs to manage information to enhance the decision making role. As Cohen (1989) suggested, an organisation needs a solid foundation of employee information on which to base decisions.

Reporting

It appears that the internal and external distribution of timely, relevant, and reliable information to relevant authorities is embedded in the process of measuring and managing the HCI of banks in Sri Lanka (Refer to Figure 8-1 above). Focusing on measuring HCI and internal distribution, respondents noted that:

We send a report on a monthly basis to H/O which includes some employee indicators as well. Most of the measurers are not supposed to report to the public. (Respondent A3)

We report training measures to the board and HR as well. (Respondent B4)

We, as senior management, are responsible for maintaining the retention level. Apart from that there is a board paper that we do quarterly. We need to report in to the board in terms of T/O. (Respondent C1)

Further, respondents noted the internal distribution of managed HCI as follows.

We manage all training information in our data base. We send all this information including statistics to a board once a month for assessing the progress of ... (Name of training division) as well as decision making. The decisions are taken by the decision maker, who may be the MD, DGM or line managers. So this information needs to be managed in order to distribute to relevant managers for decision making. (Respondent B4)

Through effectively managing employee information, we expect to have to do certain things such as the distribution of timely, relevant and reliable

information to relevant authorities in order to assess the current situation and make decisions. (Respondent C1)

Internal distribution of all employee information supports the study by Choo et al. (2006) who documented that information management involves a process, of which distribution of information is also a part. A similar view was provided in the study by Detlor (2010). Although the evidence exists on the internal distribution of HCI, it was not within the scope of this study, which only focused on exploring the reasons for the significance of external reporting.

External reporting purpose

External reporting fell into two categories of reporting: voluntary and mandatory. As Cowan and Gadenne (2005) viewed, voluntary reporting allows a greater amount of discretion to the organisation about the information reported. In contrast, mandatory reporting is reporting information in accordance with legal and policy requirements (Kavitha & Anita, 2011). Both categories were observed in the case of banks in Sri Lanka. For example, in terms of voluntary reporting, an extensive amount of employee information is found in public documents such as annual reports, websites, and media releases. Also respondents revealed that they disclose HCI to the public, for example:

Training measurements are HR standard measurements. Training needs to be measured. Then we can boost our staff. We should be elegant and open to the outside. When you declare all these things they will be challenged and the other thing is benchmarking. When you go through our information in the annual report you can see the information is very detailed. (Respondent B4)

Since there was no law requiring such reporting of training and development information, this could be identified as a voluntary reporting. In terms of mandatory reporting, banks were found to be reporting HCI to external regulatory authorities such as CBSL, the Department of Inland Revenue, the Labour Department, and Census and Statistics. For example, respondents stated:

In addition to that, the Central Bank of Sri Lanka needs us to disclose some employee information periodically. (Respondent A3)

Sometimes we have to send employee information to regulators; for example, EPF, ETF information. For that purpose also, we have to manage records. (Respondent B5)

Even we have to provide information to the Census and Statistics Department. It needs some statistics like age, level, positions, salary information, etc. (Respondent E1)

Thus, banks appear to report HCI voluntarily as well as mandatorily and this agrees with previous studies. Marr et al. (2003) remarked that organisations communicated measures to external stakeholders. Wills (2005) noted that information management was vital in reporting to deliver transparency, accountability and to meet legal obligations.

Understanding that banks report HCI externally (either voluntarily or mandatorily), this study further explored the reasons for such external reporting and found three reasons: accountability, achieving advantages over competitors; and awareness and recruiting, career development, and acknowledging employees. Banks' views on these justifications are presented below.

8.2.7 Accountability

Webster's Third International Dictionary defines accountability as: (1) the state of being accountable (answerable or explainable), (2) the state of being liable, and (3) the state of being responsible (Knouse, 1979, p. 58). Frink & Klimoski defined the term accountability as the "adhesive that binds bound social systems together" (1998, p. 3). This means that there would be neither shared expectations, nor a basis for social order if individuals or organisations were not responsible and answerable for their behaviour (Hall, 2005). Therefore, in the absence of accountability, no social system could be maintained (Frink & Klimoski, 1998; Tetlock, 1985). The Sri Lankan banks appeared to have a similar view, therefore, they reported a considerable amount of HCI to maintain a relationship with stakeholders. For example, respondents noted:

We are not alone. In addition, doing business in a responsible manner, we also believe that we have a responsibility to stakeholders, society and the environment in which we operate. Understanding and being responsive to needs of our stakeholders are keys to our overall strategy. It is about stewardship of the resources. (Respondent A3)

There is another reason for reporting information. That is stewardship, answerability to our stakeholders. Especially, our annual reports contain a lot of information focusing on our stakeholders because stakeholders are very important to us. We are liable to answer for everything that we are doing in the company. So, in our all reporting with them we have to disclose such information that is material to stakeholders. That accountability is there. (Respondent B2)

Another one is accountability. Shareholders are the true owners of the bank. They have invested their money believing that as employees we perform and behave well in order to get a return. So, we have a liability or the responsibility of doing everything in a manner that adds value. So, we need to tell them what our values are and how we are going to inculcate them in our culture. (Respondent C3)

We report it (HCI) because we have a responsibility to let our stakeholders know how worthy the employees are. (Respondent D1)

This implies that banks have associated groups of individuals (stakeholders) who are influenced by, or can influence, the accomplishment of the banks' objectives, thus, fostering a healthy relationship or building a social bond with these stakeholder groups is vital in achieving the banks' objectives. The relationship or social bond could not be built between stakeholders and the bank if the banks were not responsible or answerable for their activities. Importantly, banks are answerable to shareholders because the banks have stewardship of the shareholders' assets. Because of this stewardship and consequential answerability to stakeholders, the Sri Lankan banks tended to report HCI in annual reports, newsletters, media releases, websites, and prescribed documents.

Although the concepts of accountability are well addressed in the literature, no significant attempt has been made to investigate the association between HC reporting and accountability. Thus, the following paragraphs discuss how HC reporting achieves the banks' goal of accountability to stakeholders with two theoretical perspectives: Stakeholder Theory (Freeman & McVea, 2001) and Stewardship Theory (Donaldson & Davis, 1991).

From the perspective of stakeholder theory (Freeman & McVea, 2001), an organisation is a sub-part of the social system in which it operates, thus, it has to deal with a variety of stakeholder groups, such as employees, customers, suppliers, lenders and society (An, 2012; Freeman & McVea, 2001). Therefore, an organisation should actively engage in building relationships with all stakeholders to satisfy them because banks need the support of their stakeholder groups in order to achieve their objectives (Freeman & McVea, 2001). This relationship creates the requirement to disclose the information to stakeholder groups to make appropriate decisions (Australian Accounting Research Foundation, 1990), arguably an element of accountability. As noted in the study by An (2012), HCI is increasingly demanded by stakeholder groups; thus, an organisation reports HCI to stakeholders as a way of indicating their accountability. Thereby, stakeholders can monitor the performance of management and see whether the organisation meets their expectations (Watts & Zimmerman, 1986). This helps stakeholders make decisions (Michael, McCuddy, & Pirie, 2007). Similarly, banks may reported HCI to stakeholders as a way of demonstrating their accountability and this provides an opportunity for stakeholders to monitor the performance of management and see whether the bank meets their expectations.

Stakeholder Theory focusses on all stakeholder groups, including shareholders. However, as owners of the banks' assets, banks have a greater level of accountability to shareholders in terms of what is happening to their assets and what returns they receive for their investments. This could be

examined from the perspective of Stewardship Theory (Donaldson & Davis, 1991), which proposed a mechanism to explain the intentions of top managers in organisations to maximise shareholder returns (Hall, 2005). Accordingly, banks have the responsibility to report HCI to stakeholders, as an aspect of accountability and the reported information helps stakeholders make decisions. If stakeholders make decisions based on reported information in favour of banks, the management (stewards) could maximise returns, which helps management to give the best returns to shareholders. This supports the study by Davis et al. (1997) who pronounced that a steward protects and maximises shareholder interest through firm performance.

8.2.8 Achieving an advantage over competitors

As stated in Section 6.2.5, banks in Sri Lanka were highly likely use their HC to achieve competitive advantage. Extending a similar view, respondents also stressed that they report information on HC to stakeholders to achieve advantage over competitors. For example, as has been shown in the comments below, banks reported on HCI to stakeholders to show how the bank is different from other banks in the industry and especially, how leadership personnel gave insight into the robustness of the bank, which gave the bank an advantage.

I think by publishing information about our top layer, we expect our stakeholders to know what kind of people lead this company and who are the responsible personnel in this company? This kind of information gives us a competitive advantage as well. (Respondent A4)

When they go through our employee information in the annual report you can see the information is very detailed. Competitors may try to reach to our standards. Stakeholders will rate us in the number one position when they compare information with other banks' information. (Respondent B4)

We have to identify and address the needs of the stakeholder even in the early stages. Sometimes they need information on our leadership personnel. That gives us a competitive edge in business... (Respondent D1)

Owing to believing that reporting adds advantages over competitors, banks seemed to follow a complex and expensive process for including HCI in the annual reports. As Respondent C4 stated, Bank C usually compares previous annual reports in order to identify further reporting requirements to attract more customers over competitors.

Today, these banks are really competitive. No one needs to stand in second place. So, what they do is compare what they can report over the other banks to attract more customers over competitors. We also do the same. Before we prepare our annual report we go through all last year's annual reports of other banks and see whether there is a gap to fill. If so we try to fill that in order to gain advantage because we also need to benchmark

with the best. So, if we see gaps or a shortfall, we don't hesitate to improve on that. That happens every year.

The impression of the respondent from Bank C was also echoed by Bank D. The bank seemed to be engaged in peer reporting and competitor analysis was the first step in preparing an annual report. Accordingly, the bank collects all other banks' annual reports. Once all the annual reports have been collated, the bank then looks for any gaps in disclosures, i.e. a disclosure that was not made by the bank but was by others. If there was a gap in disclosures in this year's annual report, the bank recommends including that particular piece of information in the next year's annual report. This process is clearly indicated in Respondent D4's comment below.

If I say competitors, I mean how do I do it? I look at competitors' analyses. Basically, we have a conventional way of presenting annual reports normally. There are 26 banks in Sri Lanka and we collect all these annual reports. Once all the annual reports have come, we look at any gaps in disclosures. Probably we have not made disclosures and then in the following year we ask for that disclosure to be included. So most of these disclosures come next year because those were the disclosures we made. Then we bring the additional disclosures as well. So, this year 20 pages will be the base for next year's disclosures and also the peer banks. Because we have to agree that other major banks in Sri Lanka have very good sections on HC. It is not wise to ignore their reporting and look at only your framework. That is why we look at their annual reports and see whether there are any gaps to bring on as additional disclosures. We want to go beyond that or at least we want stay on a par with them.

This means that reporting HCI is highly influenced by peer reporting. Respondents A1 and C4 also agreed with Bank D's comment.

Apart from that, we do report certain information by looking at market practice. That means we do report some information because our competitors do so. (Respondent A1)

We have to agree that other major banks in Sri Lanka have very good sections on HC. It is not wise to ignore their reporting and look at only your framework. That is why we look at their annual reports and see whether there is any gap to bring in additional disclosures. We want to go beyond that or at least we want to stay on a par with them. (Respondent C4)

This indicates the greater concern by the banks for peer reporting to be benchmarked in the industry because benchmarking allows banks an opportunity to outperform their competitors.

From the perspective of the Resource-Based View (RBV), competitive advantage is a consequence of using strategic resources to obtain a sustainable benefit for an organisation (Kristandl & Bontis, 2007). Strategic resources should contain four attributes: value; rarity; imperfect imitability and an

inability to be substituted (Barney, 1991; Wernerfelt, 1984; Wright et al., 1994) and HC is regarded as one such resource (Rastogi, 2000; Wright & McMahan, 1992). Banks appeared to report a certain amount of HCI, e.g. employee profiles, to stakeholders to show what advantage the bank had over other banks. The association between reporting HC and competitive advantage is addressed in the study by Abhayawansa and Abeysekera (2008, p. 51).

Although the banks believed that reporting on HC contributed to achieving competitive advantage, some respondents noted that they hesitate to report all HCI to stakeholders because such disclosure may negatively affect the bank. Some of the banks preferred to keep a portion of their HCI undisclosed. For example, Respondent C1 remarked:

We have a records scheme where we recognise individuals coming up with innovative ideas. All these ideas are sent to a committee. And the committee wants to sit and go through the best ideas and appoint a set of people to help those units/person/departments implement new ideas. On and off, we carried out those kinds of projects to stimulate people's talents. We don't disclose this information. If we disclose it others might use it.

This comment reveals an unwillingness to disclose information about innovative ideas. Similar comments were made by respondents from Banks A, B and E.

The possibility of disclosing all employee information in annual reports is less. We don't want our competitors to know certain information.
(Respondent A3)

There is some employee information we don't report in any document because we don't feel it is really necessary to show it to our competitors.
(Respondent B2)

When we prepare our annual reports there is a circumstance where we ignore HC information. We don't want competitors copying our high profile information. (Respondent E1)

It was clear that the banks were not keen to share a range of detailed HCI because of the potential to harm operations and to threaten stakeholders. Supporting the above views, Carroll and Tansey (2000) stated that organisations take a risk in revealing some information to external parties. However, banks' views disagreed with Freeman's (1984) original stakeholder theory, which demonstrates that organisations report information to address the requirement of stakeholders. This means that the Sri Lankan banks acted contrary to what stakeholder theory might suggest in certain situations. Banks especially avoided reporting HCI to stakeholders when banks felt it was a threat to achieving an advantage over competitors.

8.2.9 Employee awareness and recruitment, career development, and acknowledgment

As has shown in the comments below, banks are likely to report a wide range of HCI to outside parties to (1) make potential employees aware and attract them, (2) encourage career development, and (3) acknowledge current employees for their contributions to the bank's operations.

First, in terms of making potential employees aware in order to attract them, respondents indicated that reporting helped potential employees to understand banks' requirements such as, what values employees should bring and whether the bank can fulfil his/her career expectations, the working environment, organisational procedures, such as compliance, joint consultative committee processes and, especially, how the bank treats and supports employees. These views appeared in the following comments.

At the same time we send a message to our potential employees about what values they need to have when they come in. ...We give an opportunity to potential employees to think twice about the values and beliefs of our organisation and his own. Whether this organisation will serve his/ her level of expectations. That will be a good point in terms of employee retention and to avoid the frustration of employees while they are in the new job. The cost of rebuilding/ moulding a new person to a new culture is higher than we expect. So, it is much easier if people come here with a good understanding on who we are. That is why we post extra information with vacancies in the website. (Respondent B3)

We want people to come to us with what we require. That is why we publish detailed information on what kind of people we need and what working environment we have. We don't have time and money to waste. So, people who want to apply to ... (name of the bank) can decide whether they have these requirements. (Respondent C2)

Another important thing is that the potential employees will get an opportunity to know organizational procedures such as compliances, joint consultative committee process, and their involvement in the legality of the employment support in advance of making a decision over the organization. (Respondent D4)

Such information would be helpful for potential employees by enhancing their understanding of the bank and comparing and seeing what specialty each bank has. This possibly helps potential employees to determine whether they should join the bank.

As banks believed, reporting helped not only with providing potential employees with the opportunity to learn about the banks, but also with attracting quality potential employees, for example:

The other important thing is existing and potential employees' perspectives. Through reporting employee information, our bank as a corporate employer, displays our strength and commitment towards employees and as a sustainable business to attract the best employees from outside.
(Respondent A4)

Second, the possibility of developing employee carriers through reporting HCI was also remarked on by respondents. Especially, banks seemed to believe that reporting information such as succession planning and internal promotions to leadership positions may motivate existing employees that see the possibilities in advancing their career.

Existing employees could determine their career expectations in advance through available information in the websites, annual reports, for example; leadership and succession plan of the company, training and development, share option plan, etc. This kind of publication results in employee encouragement and engagement. (Respondent A4)

When we disclose our plan for succession that is a hint on how we develop our people to go up their carrier ladder. (Respondent C4)

Third, respondents stressed that banks report HCI to the public in order to indicate that the bank was a preferred employer that appreciated the contribution of employees and was committed to fulfilling employees' personal and professional aspirations.

So we need to acknowledge our people through that public document. It sends the message to our employees on how we appreciate them.
(Respondent C3)

Without our employees' efforts, I don't think we could have come to this point within this short period. Without them we would not have been able to record such a commendable performance. So, we need to acknowledge the effort, the can do attitude and the participation in all matters of all people involved in it from top to bottom. It involves board members, CEO, senior management and employees. So, the annual report is our main public document. So we need to acknowledge our people through that public document. It sends the message to our employees on how we appreciate them. (Respondent B2)

We do have regular customer get-togethers called the platinum circle. We informally exchange our views about employees with the customers. It is a kind of acknowledgement. (Respondent D4)

By acknowledging employees publicly, banks aimed to boost their motivation and enhance employee bonding, with obvious positive outcomes for the banks.

Employee appreciation results not only in employee motivation; but improves employee engagement also. (Respondent A3)

Through employee acknowledgement, employees will be motivated and get attached to the company further. (Respondent C3)

Disclosing different employee information motivates our employees. They boost themselves by looking at how the organisation goes forward as a result of their effort. (Respondent E1)

Thus, in portraying HCI in public documents such as annual reports, banks aimed to attract the right personnel to the bank and provide an indication of the career development opportunities. They also appreciated the contribution of employees towards the banks. All these motivate and enhance the attachment of current employees and means that banks attempt to build a relationship with current and potential employees. These efforts agreed with the Stakeholder Theory perspective (Freeman & McVea, 2001). Accordingly, a central objective of reporting HCI was to manage and build the relationships and interests of employees -- clearly one important stakeholder group -- in a way that safeguards the enduring success of the bank.

The findings presented up to this point provide a broad view on why HCI was MMR by the banks in Sri Lanka. Two main purposes were identified as internal management and external reporting. Internal management purposes are: making sure banks achieved set targets, taking remedial action after identifying concerning situations; controlling employee-related expenses, ensuring the confidentiality of information, enhancing efficiency, and making decisions. External reporting purposes were: accountability; achieving an advantage over competitors, and awareness and recruitment, career development, and acknowledging employees. After understanding the MMR in the Sri Lankan context, the following section provides a comprehensive understanding of the reasons the banks in New Zealand engaged in MMR on HCI as a whole.

8.3 Reasons for measuring, managing and reporting human capital information in New Zealand

As stated in Section 8.2, banks in Sri Lanka MMR on HCI for two main purposes: internal management and external reporting, which were in line with classifications given by Marr et. al. (2003), Hunter, Webster, & Wyatt (2005), and Andriessen (2004a). Similarly, the reasons for the New Zealand banks engaging in MMR on HC, fall into the same two categories. The rationales found with regard to internal management were to: 8.3.1. Making sure banks achieved set targets, 8.3.2. Set up policies, 8.3.3 Employee development, 8.3.4 Enhance efficiency, and 8.3.5. Making decisions. Three rationales were found with regard to external communication: 8.3.6. Enhance the image of banks, 8.3.7. Achieve an advantage over competitors, and 8.3.8. Employee awareness and recruitment and acknowledgment (Refer to Figure 8-2 below).

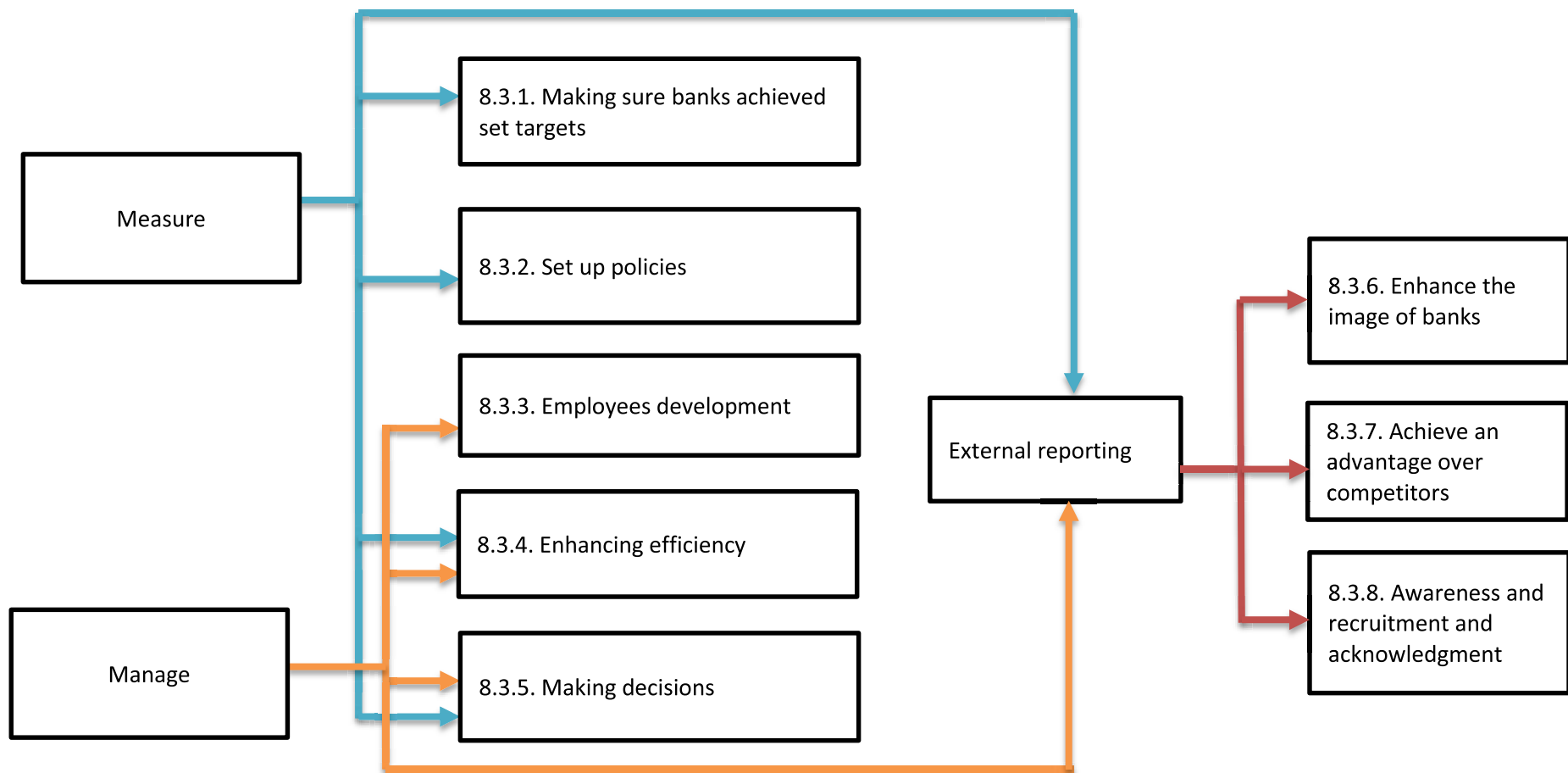


Figure 8-2: Importance of measuring, managing and reporting human capital information in New Zealand banks

Internal management purpose

8.3.1 Making sure banks achieved set targets

As indicated in Section 8.2 above, organisations set targets based on what they want to achieve (Oxford Dictionary, 2010). In other words, in order to deal with any type of situation effectively, an organisation need to establish targets and then actions need to be taken in a manner consistent with the targets (Kameyama & Kubota, 2010). Service oriented organisations like banks rely upon their employees (Mavridis, 2004); thus the banks in New Zealand seemed believe that HC is important in ensuring set targets and are thus inclined to measure information related to it. The following paragraphs describe how measuring HCI assists in ensuring the achieving of the set targets of the banks in New Zealand.

Almost all the New Zealand banks emphasis the measuring of employee performance when they discuss the link between measuring and achieving set targets. Specifically, banks stress that measuring HCI is needed to track employee performance, which in turn helps in ensuring their ability to achieve set targets.

We use these measurements to review how the year went and what we need to do to do better next year. (Respondent G1)

This measurement is mainly for tracking employee progress to see the achievement of targets. (Respondent H1)

We have a mid-year and an annual review process whereby we know the people that we need to have a conversation with, based on the scorecard which has the objectives for the year and the employee then knows how they are tracking. The manager will provide feedback specifically on that scorecard and then generic supportive information on their performance. For the half year we generally don't give out a rating. For the full year we do give a rating and that drives our compensation outcomes as well. (Respondent J1)

After a particular period we do performance analyses to see how the performances are and whether they are achieving the given targets. (Respondent K1)

As noted in interviews with above respondents, the establishment of clear links between employees' individual performances and targets can be done through measurements and this help banks better understand how employees' work contributes to banks. To clarify the above fact, Banks G and J provided an example which details how measuring employee behaviours helps in ensuring banks' targets on ethical conduct. As stated in the comments below, banks believe employees have to behave ethically when they deal with colleagues as well as customers; thus they have set targets for

individual employees to see whether their conduct is ethical. Achieving targets on ethical conduct appeared to be important because Banks G and J have the perception that if an employee behaves unethically it may affect organisational overall performance targets. Therefore, they measure employees' behaviour and rate them to ensure that the employee behaviours are ethical.

As I told you we do behaviour ratings. While your sales records might be high, you may not doing it in an ethical way. Yes you may be achieving your targets but I think it does come down to your behaviour as well. Because your behaviour says how you work with your team around you, it tells of your feelings about the customers. I think this kind of information contributes to the organisational performance targets. (Respondent G1)

When we measure behaviour rates, we outline what the behaviour should be and what we should be aspiring to, and the people will rate you according to those aspirations. It's a big part of the performance framework. (Respondent J1)

Banks extended the above view stating that they measure HCI to set targets for next year as well. Measuring HCI is to enable banks to know the current performance level of each employee, and then, based on the current status of employees, set a realistic performance target for next year.

So, she takes our results here in New Zealand and they decide, based on our results this year, what realistic targets to set for the next year. (Respondent G1)

But, I think in terms of setting next year's (employee) targets they just look at what realistic threshold to try for and they apply some rules around the numbers. (Respondent H1)

Measures help to show us where we are. If we still do not reach the benchmark, we can plan and implement a program in advance in order to lift the bar. (Respondent K1)

In this sense, it seemed that the measuring of HCI was vital not only to see whether the banks achieved the set targets, but to set targets for achieving better results in the following year and; thus to make sure the bank achieved its overall performance targets. The link between measuring HCI and achieving targets in organisations was confirmed by previous studies (Marr et al., 2003; Robinson, 2009).

8.3.2 Set up policies

Information about employee policies and procedures was commonly observed in the annual reports and websites of every bank in the New Zealand. For example:

The Group's remuneration policies and practices strive to fairly and responsibly reward employees, having regard to performance ... (name of the bank)'s risk management framework, the law and high standards of governance. (Annual Report, Bank G, p. 57)

Employees are the most important part of our business, so we have a number of policies in place to ensure you are happy and healthy at work and at home. (Website, Bank H)

Policies and processes were reviewed, rewritten or changed where necessary to support the intent of the diversity strategy and, in particular, gender balance. (Case study, Bank J)

Contributes to the ability of staff to meet performance objectives by providing day to day supervision, training and support, and leading performance processes in accordance with ... (name of the bank) policies and procedures. (Website, Bank K)

Based on the above evidence, it appears that employee policies were a common information category in banks in New Zealand. It was revealed that banks alter and/or set these policies periodically and importantly, such alteration could be affected by measuring HCI. Thus, the second justification for banks in New Zealand to measure HCI was to assist in setting employee-related policies.

As implied in the comment below, the HCI that was measured by the bank could be classified into two groups: measurements considered at the individual level, such as individual employee performance, and then at aggregate levels, such as employee engagement and retention. As Respondent H1 remarked, only aggregate level measurements contributed to policy changes.

Most of the measurement we consider in aggregate level. Those aggregate level measurements do drive policy changes or process changes.

Providing an example of one of the employee diversity ratios: the women in leadership ratio, banks remarked how policy changes happened. For example, as is shown in the comments below, the banks first measured the number of women in leadership positions compared with the expected standard. If the measurement for women in leadership was lower than expected, the bank changed the policy and recruited more women to leadership positions. This means that the measure: women in leadership, contributed to policy changes.

... (Name of the bank) has a diversity policy that sets out the diversity initiatives for the bank. The objectives of the policy are to ensure that the bank has a workforce profile that delivers competitive advantage through the ability to garner a deep understanding of customer needs. To achieve these objectives the bank assesses annually the progress in achieving them. One such measurement is women in leadership. It tells the percentage of

women employees in the workforce. Based on this rate our recruitment pattern will change. (Respondent G1)

For an example; if we say women in leadership is something that we are concerned with, it may drive other initiatives. This measurement affects the diversity agenda and we may need to implement more activities at the recruitment stage. (Respondent J1)

This measurement affects (the) diversity agenda and we need to implement more activities at the recruitment stage. I can recall the time when our women in leadership rate was quite low and, so, we change (d) our recruitment process by putting more women on our interview panel. In some instances it does lead to changing policies and processes. (Respondent K1)

Previous evidence was on the policy implications of measuring HC in a country (OECD, 2011b); however, there was no scholarly evidence found on the policy implications of measuring HCI focusing on the organisation.

8.3.3 Employee development

Banks in New Zealand noted that they manage HCI to ensure that they provide required information to employee development. For banks in New Zealand, employee development is a process rather than a single activity. It starts from reviewing employee performance periodically in order to identify training requirements. Based on the level of achievement of the individual employee's performance, the bank can then determine whether or not the employee needed additional training. In the case where an employee could not achieve his/her objectives, the bank took on the responsibility for providing further training in order to develop that particular employee. As the representatives of the banks noted, information plays an important role in this process; thus the banks kept proper and accurate records on how each employee was performing, what training is given and what training needs to be given in the following year.

Keeping records helps us with tracking how that employee is performing and whether extra work or some additional coaching is needed for that employee. (Respondent J1)

We just very recently started organisational development and training. Individual training needs are monitored through available information such as employee performance, organisational aspirations, etc. (Respondent, K1)

Banks G and H also confirmed above view.

In terms of what an employee wants to do in next day or whether they actually achieve in your objectives would decide whether or not an

employee need additional training. These information do stored in our performance review document and tracked in terms of another performance review in next year and ask whether they actually completed those things that wanted to do. (Respondent G1)

...we use the HRIS broadly from recruitment, to course design, and development planning. (Website, Bank H)

In addition to employee development through training, how managing HCI help in succession planning also was emphasised by the respondents.

We manage quite lot of information to develop the career path of employees. We have training information, career development; the development planning is at an individual level. We do successions for leadership roles. (Respondent H1)

As banks noted in the above comments, all these actions relating to employee and leadership development need information, which could be obtained only through managing HCI effectively. No previous literature was found supporting the association between managing HCI and employee development; thus, an investigation of why the banks in New Zealand want to develop their employees seems especially appropriate.

Two principal justifications for the provision of employee training and development were offered. First, when compared to OECD countries, New Zealand's employee turnover is relatively high (Maloney, 2007; Mills & Timmins, 2011). There is a relatively easy movement of people from one employer to another possibly because of skill shortages in the country. Immigration New Zealand (2015) has noted that some industries, such as education, construction, finance/ business, ICT, and health and social services, have a short supply of people with the necessary skills. With high mobility and high turnover come job opportunities and thus the necessity to offer job specific training. The nature of the labour market (high turnover and high job mobility) in New Zealand may force banks to give job-specific training to those who were hired without sufficient experience, or where their training conflicted with the bank's operations.

Second, as described in Section 7.3.1, banks tend to provide training because of regulatory requirements. This means that the some training that banks provide is due to the pressure that comes from their regulatory groups. Economic forces and regulatory bodies are powerful influences, which need to be attended to in order to survive. Therefore, the banks had to train and develop their employees. Such an interpretation clearly conforms to the Political Economy Theory (Cooper & Sherer, 1984) and thus, banks seemed manage HCI as an aid to providing the necessary training for employees and their development.

8.3.4 Enhancing efficiency

As illustrated in Figure 8-2, one of the primary reasons that the banks in New Zealand measured and managed HCI was to ensure the enhancement of the banks' efficiency. This section first provides the banks' views on how measuring HCI enhances efficiency.

As stated in Section 6.3.4, HC is recognised as essential in achieving banks' efficiency. Specifically, if banks wanted to maximise output, for example, to achieve a higher level of competency, to be benchmarked in the industry, or to be a presence in international markets, the bank has to know what kind of employees worked for the bank. Banks further extended the above view specifying that measuring information on HC also enhances efficiency.

Of the four, three banks: G, H, and J, noted that measuring HCI provided an opportunity to understand the trigger for employee-related issues such as a significantly high turnover rate and low levels of motivation or morale, and resolving these issues enhanced efficiency. As respondents noted:

For example, employee measurements like attrition rates, turnover, new hire percentage, age band information, they will tell us much about that employed population that might trigger something or pre-empt an activity. It's very important to have that information because it gives us a bit of a pulse on where we are sitting as an organisation from our people perspective. Resolving these issues as quickly as possible enhances efficiency. (Respondent G1)

Turnover... is pretty key because we want to see if there are any spikes or areas of the business or to understand why there might be a particular pattern somewhere. Cost of hire for example. Average time to hire, because that obviously costs money. We need to take immediate actions to resolve the problem. It matters for efficiency. (Respondent H1)

If we cannot resolve employee-related issues, how do we achieve productive efficiency? (Respondent J1)

As Respondents H1 and G1 noted, efficiency is an unambiguous concern when situations like high attrition and turnover present; thus, it is vital to mitigate potential damage or disruption through taking necessary actions. The views of respondents were in line with previous evidence. For example, Kamery (2004) discussed motivation as it related to organisational efficiency. In the situation where an organisation could not motivate employees, a negative impact on organisational efficiency resulted. Similarly, Tariq and Riaz (2013) provided empirical evidence on how efficiency was affected by high turnover levels. This clearly showed that employee-related issues have an impact on enhancement of efficiency.

The above comments provided evidence on how measuring HCI influenced efficiency. In addition, banks highlighted the association between managing HCI and efficiency. As Respondent H1 stated, if banks could not manage information for planning purposes, inefficiencies were more likely to result.

I don't think just gathering of information is useful. If we are not using employee information as a management tool or planning tool we are highly inefficient. If we think any information can't be used for future planning we discard it. We don't manage it.

A similar view was provided by the following respondents.

HRIS simplifies the employee related work, for example payroll. It reduces the time and money that we need to spend on it. (Respondent J1)

It (managing HCI) enhances the information usage efficiency. If we can access updated information very quickly we can save our time and money. (Respondent K1)

Supporting Banks J and K's views Mokhtar et al. (2008) provided that an organisation can enhance efficiency through saving time and money. Thus, as has been shown in the above comments, measuring and managing HCI enhance efficiency (Kamery, 2004; Mokhtar et al., 2008) which leads to better performance by organisations (Kamery, 2004; Tariq & Riaz, 2013).

8.3.5 Making decisions

Banks seemed to be making wide varieties of decisions based on the measured and managed HCI. First, this section demonstrates how banks use the measuring of HCI to make decisions. As in the quotations below, it seems that measuring HCI in the New Zealand bank is closely related to the banks' decision-making such as for employee rewards, training and development decisions and recruitment decisions.

Measurements are stored in our payroll system and there also, I guess, they use (them) to determine what an employee's reward is for the year, for example, short term bonuses. (Respondents G1)

Based on TNA (Training Need Analysis), we decide what type of training they (employees) need. (Respondent H1)

Scorecards are the main measurement at the moment. These scorecards help to determine what their (managers') performances been like over the year. (Respondent J1)

Employment decision is based on the evaluation of skills and values of the applicant. We try to measure information about an applicant's skills and values through different strategies, for example, psychometrics exams and interview. (Respondent K1)

Supporting these views, Verma and Dewe (2008) found that management can make better decisions through measuring, while Flamholtz et al. (2002), demonstrated that measuring facilitates decision making.

In addition, respondents in the banks noted that their decision making is based on managed HCI. As shown in the following comments, banks seemed to record and manage all employee information duly in order to provide accurate, trusted, and up-to date information to make valid decisions.

If we can access updated accurate information very quickly we can make decisions quickly ... (Respondent G1)

I think it (managing HCI) gives you surety around the quality of the information for decision makers. (Respondent H1)

Respondents further extended the above views by mentioning how managing HCI required making particular decisions. For example, as the respondent from Bank J noted, the bank has to make decisions in order to do the extra work in the periods of high demand, such as Christmas, while Respondent H1 stated that Bank H needed to make decisions to prevent employees leaving the bank. Further, training and development decisions were emphasised by the interview with Bank K. All these three scenarios needed updated, quality information as stated in the quotations below.

We need to manage employee leaving information, for example the main reasons why people are leaving the organization and how we can improve on that. This information can be used for future decision making. (Respondent H1)

For example, leave bookings for Christmas, we have a big spike in November for example, but if we have a lot of information, then we can look at the resourcing. So those are the areas where you would use that information specifically to make decisions around resourcing and ensuring there are people there to service the customer need. (Respondent J1)

The bank takes responsibility to train the personnel to the required standard. Without managing adequate information, we can't make these decisions. (Respondent K1)

The influence of managing HCI on decision making was well addressed in previous studies. As Cohen (1989) suggested, a decision has to be based on a solid foundation of employee information, while Goodman (1993) argued that the managerial decision-making should be based on accurate and complete information. For this, an organisation needs to manage information.

Reporting

Similarly to Sri Lanka, in the New Zealand banks also appeared to be distributing HCI internally as well as externally. Focusing on measuring HCI and internal distribution, respondents noted that:

We have regular scorecards that we report on a monthly basis. We will also deep dive into information or run customized reports depending on particular areas of interest or queries. (Respondent H1)

We have a people portal that provides some high level information including measurements, trends and more detailed information. We have analysts who extract and provide a monthly reports to our people generalists. They might highlight specific areas that they need to focus on and look at. (Respondent J1)

Further, a bank noted the internal distribution of managed HCI as follows.

We have an internal intranet all staff have access to, which is the hub of our communication base. There is information on all facets of the company, and a news page, which is updated daily, giving information on everything from our latest charity venture, updates on the economy, to information on new initiatives in the Group. To encourage this open communication, we also have Team Talk videos published on our intranet where our CEO gives updates on the direction of the company. (Website, Bank H)

As stated in the Sri Lankan findings, internal distribution of information is beyond the scope of the study, which focused only on exploring the reasons for the significance of external reporting.

External reporting purpose

Banks G, H and J exposed that they reported much HCI to stakeholders to add rigour to their external reporting. Some information was reported to stakeholders via annual reports, websites, newsletters and the media, while some was reported to regulatory authorities. Based on the different nature of stakeholder groups, two categories of reporting HCI were identified as voluntary reporting and mandatory reporting.

Voluntary reporting denoted the reporting of HCI as required by the organisation themselves (Cowan & Gadenne, 2005). In the case of the New Zealand's banks it was found that banks reported much HCI voluntarily to stakeholder groups, such as the total workforce by employment type, employment contract, and region, total number and rate of employee turnover by age group, gender, region, and many others. An example of such reporting follows:

Five year non-financial summary- Employee Information- (1) Total Core Full Time Equivalent Staff, (2) Employee Engagement (%), (3) Employee Voluntary Attrition (%), (4) New Starter Retention (%), (5) High Performer

Retention (%), (6) Lost Time Injury Frequency Rate (LTIFR), (7) Women as a Percentage of the Total Workforce (%), (8) Women in Leadership (%)
(Annual Report, Bank G, p. 14)

We have one of ...'s largest employee volunteering programs. This year 26,254 volunteer days have been contributed by ... (name of the banking group) Group. The value of this contribution is \$8.9 million. (Annual Report, Bank J, P. 19)

The other type of reporting was mandatory reporting, which meant reporting of HCI to regulatory bodies as required by law (Kavitha & Anita, 2011) such as the Senses and Statistics, Stock Exchange listing requirements, for example:

In late 2012, NZX introduced a listing rule requiring companies to include the gender breakdown of directors and senior management in their annual reports, the 16th country in the world to do so. (Case study, Bank J, p.13)

After understanding the fact that banks report HCI externally (either voluntarily or mandatorily), this study further explored the reasons for such external reporting and found the following three reasons: to enhance the image of the bank, show the banks' strength over competitors, and to employee awareness, recruitment, and acknowledgement. The banks' views on these three reasons are presented below.

8.3.6 Enhance the image of banks

Enhancing image of the bank is one of the three reason for banks in New Zealand to report to external stakeholders. Although almost all the respondents provided evidence of the potential of reporting HCI to build the banks' image, the way they achieve their purpose appeared slightly different. As far as Banks G and H were concerned, reporting what employees have done in the banks, or in other words, reporting positive stories about the banks' employees, help in building the brand in the market place. This sends a message to external stakeholders that the bank is the right place to work and invest in.

I think it is a good thing to publish and to demonstrate, especially if they are external, well invariably they are external sort of acknowledgements of the good work that we have been doing internally. I think they do once again reinforce the brand and the perception of us as a good place to work.
(Respondent G1)

There will be certain things that we want to push out or release to the media, which will be, you know, obviously positive stories about(name of the bank) and once again, it is about building our brand in the market place. (Respondent H1)

Providing a similar view, respondents of Banks J and K noted that the reporting about staff profile is a way of building an image among stakeholders.

We believe our reputation directly affects the sustainability of our business. That's why we have a genuine commitment to reputation- building initiatives, like doing more for our customers, investing in our own people and addressing our broader role in society. It's a commitment that's making a difference, with encouraging results. (Annual Report, Bank J, p. 32)

We have a responsibility to present our information about staff, especially about leaderships, to ensure a professional image is maintained with all clients. (Respondent K1)

In addition, employee engagement with community activities was also considered to be of prime importance in enhancing reputation, for example, Banks G and H appeared to be engaged in wide varieties of community related activities, from which they aimed to inculcate a positive perception in the minds of the stakeholders. As stated below, Bank H was involved in charities, sports and literacy programmes, while Bank G was engaged in helping customers and communities recover from the continuing earthquakes in Canterbury, New Zealand, since 2011.

Our team mobilised in the first 24 hours after the earthquake and hasn't stopped since. We have 900 staff in Canterbury and despite what many have gone through individually themselves, they have ensured we have kept open for business and been there for our customers. We've also appointed a senior staff member to Canterbury whose sole focus is helping with the Christchurch Recovery. (Website, Bank G)

... (Name of the bank) people are dedicated to continuing to help build, strengthen and connect to a wide range of charities and sports across New Zealand, including St John, Starship Children's Hospital, football and tennis. One highlight of the last year was the success of ... (name of the bank)'s Get Wise financial literacy programme, which passed the significant milestone of reaching 300,000 children through its school-based workshops, earning the inaugural CANSTAR Award for Youth Banking and Education. (Annual Report, Bank H, p. 4)

A similar comment was given by Bank J, declaring that the bank had a genuine commitment to addressing the bank's broader role in society and thus, spending millions of dollars on community activities. However, Bank J provided insight into the possibility of enhancing its reputation through such community engagement.

In addition, this year the Group invested \$55.7 million in our communities. This is an important contribution to society and to our business. It creates new and deeper relationships with our customers, boosts employee engagement and builds our reputation. (Annual Report, Bank J, P. 5)

Thus, based on the above evidence, it appears that the banks in New Zealand have a total focus on building the image of the bank through reporting; either by telling positive stories or showing that the bank is committed to society. This view is in line with Fombrun and Shanley (1990) who documented that building a reputation was recognised as a consequence, when an organisation competed to maximise their social status through highlighting their characteristics. Dominguez (2011) revealed that the fulfilment of social responsibility largely influenced the corporate reputation.

8.3.7 Achieve an advantage over competitors

As noted in Section 6.3.1 above, banks in New Zealand are highly likely to use their HC to achieve competitive advantage owing to the high level of competition in the New Zealand banking sector (Cohen et al., 2007). Respondents provided evidence that competitive advantage can be achieved through not only using HC, but also reporting on HC. As revealed by respondents, banks in New Zealand attempt to achieve advantage over competitors by using different strategies in reporting. For example, Bank G reports employee profile information, while Bank J reports its initiatives which result from innovative ideas supplied by employees.

... (Name of the bank), has a workforce profile that delivers competitive advantage through the ability to garner a deep understanding of customer needs. (Annual Report, Bank G, p.33)

We use reporting to communicate our initiatives to stakeholders. This benchmarks our bank. (Respondent J1)

Adding to the above comments, Bank H revealed that it reported on the values employees should have because those values reflected what was great about the bank.

Living our values every day is integral to achieving our vision. They reflect what is great about ... (Name of the bank) and how we work together - both in our interactions with each other as well as with our customers, communities and other stakeholders. So, all reporting is focused on profiling the bank. (Website, Bank H)

Bank K announced the award that they won, beating other major banks in New Zealand. The comment, reproduced below, emphasised that winning was only possible because of their HC. By reporting such a statement in the website, the bank may have anticipated telling the stakeholders that they are benchmarked in the industry, which in turn makes the bank different.

The CEO Mr. X said the award was a fantastic accomplishment for the organisation. Being named the Financial Institution of the Year is obviously a great achievement for (Name of the bank) Bank. The fact we only

gained bank registration in 2008 and here we are now, four years later, beating all comers in the sector, including the big banks and being named the Financial Institution of the Year. This really is a testament to our strategy of always providing superior personalised service. This win shows that(Name of the bank) Bank people really do make the difference.
(Media releases, Bank K, 2012)

Confirming Bank K's view, Respondent H1 also commented that:

We report to stakeholders to just help people understand what is important to us as an organisation and how are we different from other organisations.

Thus, it seemed that banks attempted to achieve advantages over competitors by reporting information to various stakeholder groups within society about a particular strategic resource; HC. Achieving advantages over competitors through HC could be explained from the perspective of the Resource Based View (Barney, 1991). This advises that a resource can become a strategic resource if it is valuable, rare, imperfectly imitable, and cannot be substituted, and if managed well, can be a sustainable competitive advantage (Abhayawansa & Abeysekera, 2008; Barney, 1991; Wernerfelt, 1984; Wright et al., 1994). As scholars have argued, HC can have these attributes, and thus is deemed a key strategic resource for achieving competitive advantage (Rastogi, 2000; Wright & McMahan, 1992). Thus, the banks in New Zealand also may use the reporting of HCI to show that the bank is different from others in the industry. The association between reporting HC and competitive advantage is addressed in the study by Abhayawansa and Abeysekera (2008).

8.3.8 Employee awareness and recruitment and acknowledgment

Similarly to Sri Lanka, the New Zealand banks were also found to be reporting a wide range of HCI to (1) make potential employees aware of the bank's human attributes in order to attract them, and (2) acknowledge current employees for their contributions to the bank's operations.

The emphasis on providing HCI for potential job applicants was found to be in all most all annual reports and website publications. For example, as shown in the quotations below, banks reported a wide range of information, such as job description information (skills, knowledge, values, duties, and responsibilities) and what job responsibilities, financial and non-financial benefits would be received if an employee was absorbed into the bank.

To be successful in this role, you will have knowledge of accounting standards and up to three years' experience in a financial accounting or similar role in a large corporate or CA environment with a genuine passion for technical accounting. An understanding of Financial Services would be

beneficial. ...You will enjoy sharing ideas and support your team members as required. (Website, Bank G)

We're looking for people who share our values of caring, passion, integrity and ambition to be involved in a business that is inspired by success. (Website, Bank H)

Working for... (Name of the bank) means so much more than free banking and discounted products. At ... (Name of the bank) we believe you deserve the best rewards for working for New Zealand's best bank - our package is market leading, competitive and all about choice. We provide a clear career path and value career development. (Website, Bank J)

You are responsible for ensuring compliance with all security and safety procedures within the branch including opening and closing procedures, camera surveillance and maintenance, video monitoring, robbery and fire drill procedures and health and safety procedures... (Website, Bank K)

All this information was intended to make potential employees aware of the banks' HC profiles and in turn, assist banks in attracting the right persons to fill vacancies. As respondents in Bank G, H and K stated:

So if you are looking to come and work for ... (Name of the bank), then you need to understand that these things are important to us and this is how we will support you and your growth and development within the organization. (Respondent G1)

I think it is about helping people understand what are some real experiences that people have had within the bank? and those roles would also be targeted at certain segments. If we are looking for dealers for example, and you are looking to become a dealer within ... (Name of the bank), you know it is quite good to actually go on and get an actual example of someone who is in the role now; what have they experienced? What do they like about the role? What do they like about working here? So once again, it is about employee attraction. (Respondent H1)

Yes, I think it is a good thing to publish and to demonstrate, especially if it is external, well invariably they are external sorts of acknowledgements of the good work that we have been doing internally. I think they do once again reinforce the brand and the perception of us as a good place to work. (Respondent K1)

The banks thought that potential employees should know every detail about the bank. Reporting of HCI made this knowledge more publicly available. As far as the bank was concerned, they provided HCI to show their commitment to enhancing the awareness of potential employees in order to help them make the right decisions. They viewed this as a benefit to the bank as well, in that they were more likely to attract employment applications from people who were a better match to their needs and activities.

In terms of the focus on current employees, banks reported HCI to acknowledge their contributions. In general, banks seemed to recognise the entire staff's behaviour, efforts and accomplishment of the banks' objectives. The statement below appeared in most of all the annual reports of banks, and usually in the message of the Chief Executive Officer.

A particular highlight this year has been the high level of employee engagement. Our people are deeply committed to the Group's vision and purpose, in essence helping our customers and our communities to prosper and grow. (Annual Report, Bank G, p.5)

I mean ultimately we achieve our results through our people, so if we are not acknowledging and celebrating the great work that our people are doing, then that will impact on our ability to attract and retain good people who are going to help us ultimately to achieve results. (Respondent H1)

Finally, on behalf of the Board, I would like to thank (Name of the bank)'s people for their innovation, enthusiasm and commitment throughout the year. (Annual Report, 2012, Bank J, p. 5)

The reason for such employee acknowledgement is also noted by respondents as in the comments below.

One way of showing our commitment towards employees is acknowledging them openly. (Respondent H1)

We do report employee information to external parties to show our commitment towards them. Especially, how we are committed to provide learning and development ... (Respondent J1)

At ... (name of the bank) Bank we are committed to recognising and rewarding the contribution of our people. ... (Name of the bank) Bank people enjoy a range of financial benefits including: competitive base pay; performance pay via a profit share scheme, discounts on mortgage and personal lending rates; investment interest rates for staff accounts; fee-free bank accounts; subsidised medical insurance with Southern Cross; superannuation with employer contributions; discounts on insurance products; staff specials for life stages managed funds products; corporate wardrobe (for front line staff); financial support for tertiary study and continuing education; interest free loan(s) for personal computer purchase. (Website, Bank K)

In the first quotation, Respondent H1 provided evidence of employer acknowledgment of their staff, and Bank K, in the second quotation, showed the commitment to developing employees' talents. The last quotation highlights the rewards and recognition that Bank K gave to employees, including financial and non-financial benefits. All three quotations emphasised their "commitment" to employees; thus, banks seemed to demonstrate their commitment to employees through reporting HCI.

The Stakeholder Theory perspective (Freeman & McVea, 2001) suggests that one objective of reporting HCI is to manage and build upon the relationships and interests of employees, in a way that safeguards the enduring success of the bank. However, the New Zealand banks views did not provide any indication of the building of relationships through showing commitment, thus the Stakeholder perspective was not supported.

The findings presented so far provide a comprehensive view of why HCI was measured, managed, and reported by the banks in New Zealand. Similar to the Sri Lankan findings, there appeared to be two main purposes to this; internal management and external reporting. Internal management was focussed on making sure banks achieved their set targets, set up policies, develop employees, enhance efficiency, and make decisions. External reporting emphasised enhancing the image of banks, achieve an advantage over competitors, and increase awareness of the bank, aid recruitment efforts and to acknowledge employees (Refer to Figure 8-2 above).

Sections 8.2 and 8.3 have described why banks in Sri Lanka and New Zealand MMR on HCI, drawing on these findings, the next section compares the MMR on HCI between the two countries.

8.4 Comparison of measuring, managing and reporting of human capital information between Sri Lanka and New Zealand.

This section addresses the fifth research question of this thesis: “To what extent are the Sri Lankan practices of MMR on HCI different from those of a developed country, New Zealand?” The banks that were interviewed in Sri Lanka and New Zealand revealed why they wanted to MMR on HCI, some of their reasons were similar, while some were found to be unique to one country (Refer to Figure 8-3 below).

Two reasons: ensuring the confidentiality of information, and controlling employee related expenses, were found to be unique to banks in Sri Lanka and the only reason that was unique to New Zealand was set up policies. The following paragraphs begin with discussing the similarities between the two countries, followed by the differences.

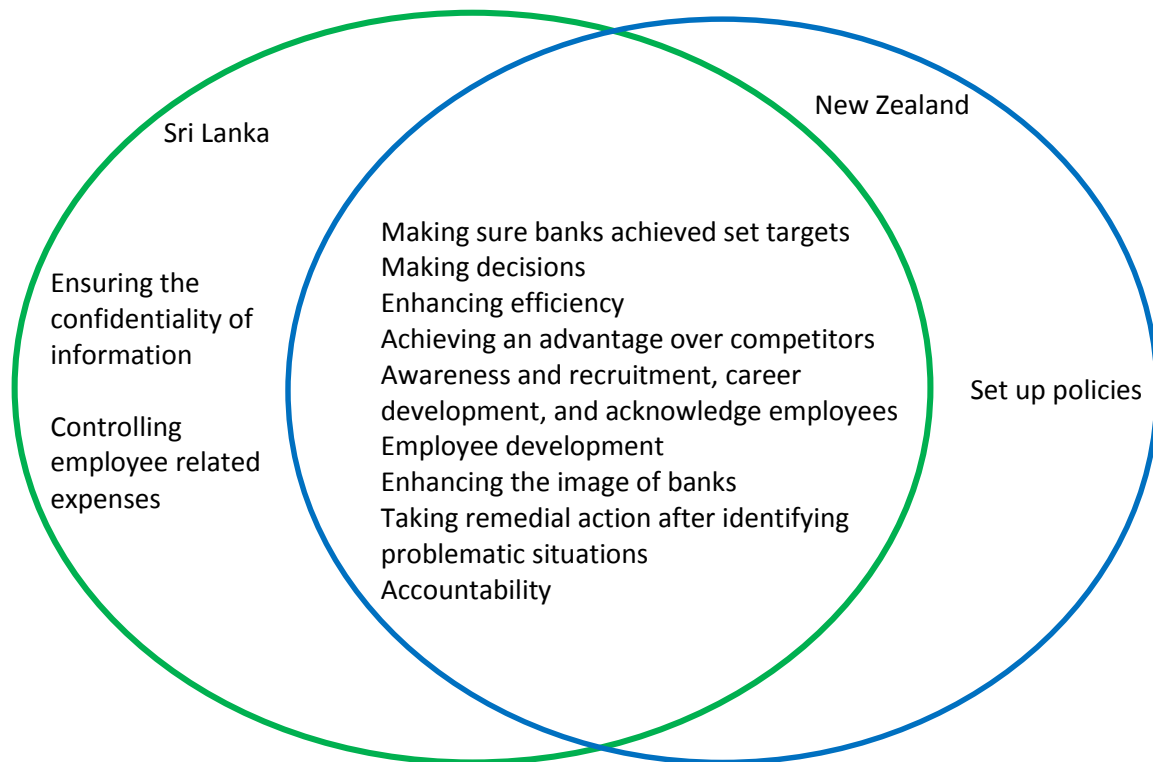


Figure 8-3: Comparison of the reasons for measuring, managing and reporting human information between Sri Lanka and New Zealand

First, it was recognised that ensuring the achievement of set targets was a principle reason for measuring HCI for banks in both countries. This involved measuring the current status of employees and tracking employee performance, allowing banks not only to enhance measures, but also to set realistic targets for the coming year. Banks considered these targets to be important because individual employee targets have a collective impact on the banks' overall targets.

The second similarity observed in both countries was the measurement and management of HCI in order to make decisions. In this regard, both banking sectors revealed that it was essential to measure and manage HCI in order to provide timely, accurate, reliable and relevant information to make employee-related decisions, such as recruitment, promotions, training and development, employee rewards, and performance appraisals.

Third, enhancing efficiency was also indicated by both banking sectors. As far as banks were concerned, (1) the reduction in the cost of managing information through curtailing paperwork and time, and (2) enhancing information usage efficiency by keeping information readily available, helped banks enhance their efficiency.

Fourth, one common reason for external reporting that the banks in both locations highlighted was to achieve an advantage over competitors. Banks in Sri Lanka noted that they were concerned about peer reporting and used outside expertise to help in preparing annual reports because they wanted to show stakeholders that the bank was the best among other banks. In doing so, the Sri Lankan banks hoped they could achieve advantages over their competitors. Similarly, banks in New Zealand also noted that the purpose of reporting was to make the stakeholders aware of the speciality of the bank and allow them an opportunity to make comparisons with other banks in the industry. Thus, both banking sectors in Sri Lanka and New Zealand seemed to be communicating about HCI in the belief that it contributed to achieving advantages over competitors.

Although achieving a competitive advantage appeared to be similar from both countries' perspectives, a difference was also found. Sri Lankan banks revealed that in certain situations, they would not reveal some types of information in order to protect their competitive advantage. For example, there was a possibility that if reported, competing banks could copy innovative ideas provided by employees. This was worrisome for the banks in the Sri Lanka, as it might result in decreasing the possibility of achieving competitive advantage. This concern was absent from the New Zealand context.

Fifth, though both banking sectors in Sri Lanka and New Zealand provided similar views on reporting HCI in order to increase awareness and to recruit and acknowledge employees, two differences were also noted. First, banks in Sri Lanka noted that they support employees to achieve their career expectations through reporting information on succession planning. This was absent in the New Zealand context. Second, New Zealand banks expressed that they acknowledge employees in order to show their commitment to their employees, while the Sri Lankan banks stated their purpose as building relationships and enhancing attachment to the banks.

Sixth, for banks in both countries, employee development is a process which starts from reviewing employee performance periodically in order to identify training requirements and ends with leadership development through succession planning. Banks remarked on the use of measured, managed, and reported HCI in training and development of their employees.

Seventh, New Zealand banks remarked that they want to report what employees have done in the banks, or in other words, report positive stories about the banks' employees. This contributes to building the brand in the marketplace. Similarly, Sri Lankan banks also specified that they report on the awards for employee activities they have achieved, as a means to provide benchmarks in the industry.

Eighth, taking remedial actions after identifying problematic situations was also common to both banking sectors. Sri Lankan banks measured HCI to identify threatening situations, in order to take remedial actions because these situations might have serious implications for overall bank efficiency and effectiveness. The New Zealand banks also recognised that measuring was important for understanding what triggers issues in the employee population.

The last similarity between the two countries was accountability, which was defined as answerability to stakeholders. Both countries documented the importance of fostering a healthy relationship with stakeholders, or the building of a strong social bond with stakeholder groups in order to achieve the banks' objectives. Thus, they tended to report HCI in annual reports, newsletters, media releases, websites, and prescribed documents.

The above paragraphs described similarities between the Sri Lankan and the New Zealand contexts. Apart from these similarities, three distinctive differences were also observed.

The first difference between two countries was policy development. As banks in New Zealand revealed, employee information was measured at individual levels as well as aggregate levels. Aggregate level measurements usually drove policy changes or process changes. This situation was absent in the Sri Lankan context. The reason for New Zealand banks' concern with using HC measurement could be the growing national-level attention on equal opportunity for women.

Although New Zealand has been a nation with a strong and principled record in human rights since 1948, progress in the implementation of equal opportunity, equal pay and pay equity for female workers nationally (McGregor, 2014) has not been rapid. Specifically, in the private sector, (Hyman, 2008) noted that there was a long way to go to attain gender equality. Low representation of women in leadership positions was highlighted in Hyman's study, which documented that only 8.65% of the top firms registered in the New Zealand Stock Exchange in 2008 had women directors. Similarly, Parker & Arrowsmith (2012) noted that the 100 largest companies registered in the New Zealand Stock Exchange had only one female in ten as directors.

Likewise, a number of studies attempted to emphasise the low level of national focus on equal rights for women. It was clear that there was growing attention paid among academics and policy makers in New Zealand regarding equal opportunities for women in the workplace. Both of these; the arguments of academics, and the strong regulatory framework, seemed to be pressurising organisations in New Zealand to provide equal opportunities to female candidates. As a result, many organisations now recruit more female employees for their organisations. As Parker and Arrowsmith (2012) recognised, there is now a high female participation rate in the labour force in New Zealand.

More specifically, it was recorded that more than eight out of ten female workers were employed in service sector jobs. Thus, it was clear that many of New Zealand's policies now focused on employee equity, which forced organisations in New Zealand to adhere to those policies.

Compared with this situation, Sri Lankan banks paid relatively little attention to using gender diversity in policy development. This appears likely to be for three reasons. First, organisations in Sri Lanka hesitated to recruit women employees for certain jobs because some activities involved heavy work and there was a belief that female employees were not physically strong enough to do these jobs (Abeysekera & Guthrie, 2004). Second, regulators imposed restrictions on female employees from working for long hours. Thus, employers were reluctant to recruit female employees to jobs that needed long work hours (Abeysekera & Guthrie, 2004). Finally, the culture of Sri Lanka could be another reason for restricting female recruitment. In the context of Sri Lanka, men were considered the breadwinner of the family, and thus play more dominant roles, socially, economically and politically, than women (Bombuwela & De Alwis, 2013). All these reasons may indirectly influence recruitment policies of organisations in Sri Lanka.

Second, banks in Sri Lanka underscored that they measure HCI to control costs, which was absent from responses in the New Zealand context. As banks in Sri Lanka remarked, they tried to reduce the employee costs incurred. For example, these costs include those stemming from the frequency of recruitment and related overhead expenses. One reason banks in New Zealand did not emphasise the measuring of HCI as a mechanism to control employee-related expenses could be the structural difference between the two economies; Sri Lanka has a developing economy, where employee expenses have tended to increase more speedily than in developed economies like New Zealand (International Labour Office (ILO), 2015). Thus, banks may need a control mechanism to enhance productivity with lesser financial resources.

Third, the banks in the Sri Lanka emphasised ensuring the internal confidentiality of information as a reason for managing HCI. As these banks remarked, employee information was highly sensitive and, therefore, they needed to protect this in order to prevent information from becoming available to others in the bank. This appeared to be exclusive to Sri Lankan banks. As noted by some respondents, the reason for banks to be concerned about managing employee information was in order to avoid the pressure that came from employee unions.

It is worthwhile to think about why banks in New Zealand did not worry about ensuring confidentiality of information. Two reasons could be identified in this regard. First, when compared with developing nations, the density of labour unions in developed nations is higher. Thus, they

exceedingly rely on collective bargaining and regulations to resolve employee-related disputes (Freeman, 2007). Owing to this, the behaviour of labour unions' in developed countries with regard to their organisational activities was less contentious and more favourable than in developing countries (Botero, Djankov, La Porta, López de Silanes, & Shleifer, 2004). Thus, there was little or no pressure from unions focussed on bank activities in New Zealand, as compared with that in Sri Lanka. Second, people from individualistic countries have lower privacy concerns and prefer to disclose information to others (Ting-Toomey, 1991). In contrast, people from collectivist countries are more concerned about privacy than individualistic countries (Myanard & Taylor, 1996). This means that employees from an individualistic country like New Zealand are likely to be less concerned over privacy and are therefore more willing to make information available for others to see.

8.5 Summary

Similar to Chapter 7, this chapter also contributes to the HC literature by providing a more comprehensive view of the three critical concepts of MMR, integral to it. Specifically, this study identified why the three phenomena are important for the banking industry. The exploration discovered two main purposes for MMR on HCI: internal management and external reporting. These emerged from careful examination of interview responses from both banking sectors. Table 8-1 below shows internal management and external reporting as they relate to each country.

Table 8-1: Summary of findings-reasons for the significance of MMR

Sri Lanka	New Zealand
Internal management purposes	
Making sure banks achieved set targets	Making sure banks achieved set targets
Taking remedial action after identifying problematic situations	Setting up policies
Controlling employee-related expenses	Employee development
Ensuring the confidentiality of information	Enhancing efficiency
Enhancing efficiency	Making decisions
Making decisions	
External reporting	
Accountability	Enhancing the image of banks
Achieving an advantage over competitors	Achieving an advantage over competitors
Awareness and recruitment, career development, and acknowledging employees	Awareness and recruiting and acknowledging employees

This chapter further compared the nature of MMR practices of HCI between Sri Lanka and New Zealand. Explanations for why the banks in these cultures measured, managed, and reported on HCI appeared to be similar, with three notable exceptions. These were 1) for controlling employee related expenses, 2) ensuring the confidentiality of information, and 3) setting up policies. In sum, this means that reasons for MMR of HCI in these two countries were homogeneous, with some degree of variation between them. These findings contribute to the literature as follows.

8.6 Contribution

First, this chapter also contributes to the HCI literature by providing a broad view about the three phenomena integral to it (measuring, managing and reporting), especially focusing why banks engage in MMR on HCI. The extant literature has failed to examine this issue as yet.

Second, this chapter explored the significance of the three HC phenomena in the banking sector. As stated in Section 2.4, there have been no comprehensive analyses conducted in either the Sri Lankan banking sector or in New Zealand. Thus, this thesis makes a contribution to the banking literature by providing a more comprehensive understanding of why two countries at different levels of economic development MMR on HCI.

Third, a wide range of explanations were explored in response to the question of why HCI is measured, managed, and reported by the banks. In Sri Lanka, it was found that the banks incurred substantial expenses for employees for example training and development, salaries and wages, and

other benefits. HCI was thus measured for use as a control mechanism in order to curtail expenses. This finding did not appear in the literature.

Fourth, accountability was found to be a reason for banks in Sri Lanka to report HCI to external stakeholders. Although the concepts of accountability are well addressed in the literature, no significant attempt has been made to investigate the association between HC reporting and accountability.

Fifth, although some Sri Lankan banks believed that reporting on HC contributed to achieving competitive advantage, some respondents noted they hesitate to report all HCI to stakeholders because such disclosure may negatively affect the bank. Some of the banks preferred to keep a portion of their HCI undisclosed. There is a lack of research on the perceived risk associated with revealing HCI, especially its impact on achieving competitive advantage.

Sixth, in portraying HCI in public documents, the banks in Sri Lanka aimed to (1) attract the right personnel to the bank, (2) provide an indication of the career development opportunities, and (3) express their appreciation of the contribution of employees to the banks, thus building relationships with employees. Similarly, the New Zealand also provided evidence about employers' acknowledgment in order to show their commitment towards employees. These findings have not been presented in previous research.

Seventh, in New Zealand, it was found that some measurements of employee performance have the ability to set or alter employee policies. Providing evidence, banks noted that they measure the number of women in leadership positions compared with the expected standard. If the result of that measurement was lower than expected, the bank changed policy and recruited more women to leadership positions. This means that the measure: women in leadership, contributed to policy changes. There was no scholarly evidence found on the policy implications of measuring HCI focusing on the organisation.

Eighth, as the New Zealand banks noted, all actions related to employee development need information, which could be obtained only through managing HCI effectively. No previous literature was found supporting the association between managing HCI and employee development.

Ninth, as stated above, the comparison of findings revealed that the majority of significance of MMR phenomena were similar to a great extent across the two countries. Similarities included; (1) Making employee decisions, (2) Making sure banks achieved set targets, (3) Enhancing efficiency, (4) Achieving an advantage over competitors, (5) Employee awareness about banks HC profiles and

recruitment, career development, and acknowledging employees, (6) Taking remedial action after identifying problematic situations, (7) Accountability, (8) Employee development, (9) Enhancing the image of banks. No previous studies observed such similarities between Sri Lanka and New Zealand in the field of HC.

Tenth, although the majority of information obtained appeared to be similar, in certain circumstances the reasons for banks MMR on HCI was differed.

1. Both banking sectors highlighted external reporting as important in achieving an advantage over competitors. The Sri Lankan banks noted that they were concerned about peer reporting and used outside expertise for help in preparing annual reports because they wanted to show stakeholders that the bank was the best among other banks. In doing so, banks hoped they could achieve advantages over their competitors. Such a practice was not observed in the New Zealand banks.
2. The Sri Lankan banks revealed that in certain situations, they withheld some HC information in order to protect their competitive advantage. This view was absent from the New Zealand context.
3. In terms of reporting HCI for employee awareness about banks' HC profile and recruitment and acknowledging employees, banks in Sri Lanka highlighted that they support employees in achieving their career objectives through reporting information on succession planning. This was not noted by banks in the New Zealand.
4. The New Zealand banks noted that they acknowledge employee contributions to show their commitment to employees, while the Sri Lankan banks appeared to offer acknowledgement to build relationships and enhance attachment.
5. As the banks in New Zealand revealed, some HC measurements drive policy or process changes. Compared with this situation, the Sri Lankan banks seemed to pay relatively little or no attention to using employee measurements in policy making.
6. Banks in Sri Lanka highlighted that they used MMR in their attempts to control employee-related costs, for example, those for frequency of recruitment and overhead expenses. Measuring HCI is thus used as a controlling mechanism, which was absent from the New Zealand context.

7. Banks in Sri Lanka remarked that employee information was highly sensitive and, therefore, they needed to protect the confidentiality of information through managing information effectively. This appeared to be exclusive to the Sri Lankan banks.

None of these differences between the two contexts have been noted in previous studies.

This thesis is an empirical study that explored how banks in Sri Lanka and New Zealand MMR on HCI. Chapters Four and Five aimed to provide a broader view about HC by exploring how the banks in Sri Lanka and New Zealand define the term and the reasons they believe HC is important respectively. Chapters Seven and Eight intended to further extend the understanding of HC by exploring three integrated phenomena; measure, manage, and report. In doing so, a particular emphasis has been placed on two key questions: what and why. In the next chapter, this thesis turns to a summarisation of the findings of the study, followed by its limitations and recommendations for future research.

Chapter 9

Conclusion, limitations, and recommendations for future research

9.1 Introduction

This study began when the researcher identifying a dearth of research on the three phenomena: MMR with regard to their use with HCI. Two substantially different contexts representing two levels of economic development -- Sri Lanka and New Zealand -- were chosen to provide data that allowed for a comparative approach. A detailed look at how HCI is MMR in the banking sector was achieved provided a more thorough understanding of several provocative questions: How these banking sectors defined the idea of HC; why they deemed HC important, what HC attributes they measured, managed, and reported, why these were considered important; and finally, how the HC practices in the banking sector in Sri Lanka might differ from those in New Zealand.

To address the above, this study used the qualitative case study method. Data was collected by semi-structured interviews and taken from secondary sources. These latter sources included annual reports, websites, media publications, and other available documents. A total of ten banks (six in Sri Lanka and four in New Zealand) participated in the study and twenty-five interviews were conducted (twenty one in Sri Lanka and four in New Zealand). The data analysis yielded 551 descriptive codes (294 in Sri Lanka and 257 in New Zealand), 173 categories (91 in Sri Lanka and 82 in New Zealand), and 87 themes (45 in Sri Lanka and 42 in New Zealand). These themes lead to an interesting narrative about how these business view and then utilise HC via their measurement, management and reporting rationales and practices.

9.2 Conclusion of the findings

This research was guided by a set of five research questions designed to examine how banks in different environments both define and execute critical HC functions in banking. These questions are

1. What does the phrase "human capital" mean to banks? (Presented in Chapter 5)
2. Has the banking sector deemed human capital to be important, and if so, why? (Presented in Chapter 6)

3. What attributes do banks identify and then use to measure, manage, and report human capital information? (Presented in Chapter 7)
4. Has the banking sector deemed measuring, managing, and reporting to be important, and why? (Presented in Chapter 8)
5. How does human capital and measuring, managing, and reporting on human capital information in the banking sector in Sri Lanka differ from that in New Zealand? (Presented in Chapters 5-8)

The following paragraphs summarise the findings in relation to the five research questions. Banks appeared to have clear views on what should constitute the term HC. The Sri Lankan banks defined the term “human capital” as “a cluster of competences, diversity, engagement and values of employees.” Competences included four HC attributes, namely: knowledge, skills, experience and attitudes. Of these attributes, attitude is seen as the most important. In the New Zealand context, the term HC was operationalised as “a cluster of competences, values, diversity and knowledge of employees.” Here, the term “competency” includes all measurable employee characteristics: that is, skills, attitudes, abilities and experience. Of these characteristics, experience was seen by the New Zealand banks as the most important attribute.

The finding suggests that the banks in both countries have similar views on what HC should consist of. Competences, values, diversity are commonly recognised as attributes of HC by both banks, the fourth attributes of each bank (knowledge in New Zealand, and attitude in Sri Lanka) were found in competences in the other bank. Though the definition is similar, the way each attribute was operationalised within the banks were not homogeneous; for example, in terms of developing employees, Sri Lankan banks tended to rely on resources within the company, while New Zealand banks relied upon outside resources.

Having defined what HC means, banks in the two locales also recognised its importance to the banking business. Specifically, the Sri Lankan banks believed that HC contributes in enhancing overall productivity and efficiency, adhering to compliance requirements, ensuring banks’ survival, achieving sustainable success, and enhancing business performance. Apart from ensuring banks’ survival, similar reasons were noted by the banks in New Zealand. This means that the importance of having HC in these two countries was homogeneous, although disparities existed in how they viewed the contribution made by HC.

The above significance of HC to the banking business seems stimulate the banks to measure HC attributes and manage them effectively to report up-to-date, accurate, HCI to external stakeholders. The sample banks' evidence identifies categories of HCI that they MMR. In particular to Sri Lanka, nine HCI categories were identified: training and career development, resourcing, attrition and retention, compliances, employee relations, employee welfare, diversity and equity information, health and safety, efficiency, and informal information. Mirroring the Sri Lankan banks' MMR practice, the New Zealand banks revealed that they MMR all the above information categories, except for informal information. Banks in Sri Lanka emphasised they informally manage informal HCI such as family background, schools attended and parents' professions, along with other HCI, owing to the realisation that the good attributes of a person are immensely influenced by his/her family. Section 7.2.9 above documented that the culture of Sri Lanka was likely to be responsible for banks in Sri Lanka managing informal information. It is not likely that the lack of concern for informal information by the banks in New Zealand could be attributed to the tendency for using standardised practices for employee recruitment.

The banks in Sri Lanka and New Zealand also revealed two specific purposes of MMR for the above HCI categories, namely internal management and external reporting. Specifically, measuring and/or managing were recognised as necessary in achieving internal management goals, while reporting HCI was identified as beneficial in external reporting to stakeholders. In the case of Sri Lanka, banks noted the helpfulness in measuring HCI to ensure the achievement of set targets, identify a problematic situation, and for use as a control mechanism to curtail employee expenses. Managing HCI was recognised to include the confidentiality of information, while both measuring and managing was used in enhancing efficiency and making decisions. External reporting was emphasised, as was showing accountability, achieving advantage over competitors, and employee awareness about banks HC profile and recruitment, career development, and acknowledging employees.

In New Zealand, measuring was used to ensure banks achieved set targets and to set up employee-related policies such as those covering recruitment. It was also useful while managing information necessary to employee development. Both measuring and managing were recognised as important in enhancing efficiency and making decisions. In particular, they were cited as contributing to enhancing the image of banks, achieving an advantage over competitors, and employee awareness about banks' HC profile and recruitment and acknowledging employees when engaging in external reporting to stakeholders.

Both sectors have the perception that they need to MMR to achieve internal management objectives and for external reporting; however, there were differences between the two localities: Sri Lankan banks additionally emphasised controlling employee-related expenses and ensuring the confidentiality of information. New Zealand's banks recognised setting up policies as a specific MMR goal.

Overall, the findings of this study indicated that there were many differences in terms of the operationalisation of the HC concepts and three integral phenomena, MMR. There were also differences in their roles due to the differences in cultural orientation, institutional policies, and economies. Further, the absence of internationally accepted standards for HC also could be a reason for such differences.

Although the study identified various differences, most of the practices relating to HC in both Sri Lanka and New Zealand appear similar. Being the heart of the banking business in both contexts, HC immensely contributes to banking performance, success, productivity, and importantly, elemental in acting as a legalised corporate body in the country. The wider role that HC plays in the banking business possibly stimulates the banks to believe that HC is not just a resource for the business but also can lead to seeing MMR as a strategic component for banks' internal management and communication with externally interested parties.

Such similarity between the banking sector in a developing and a developed country could be explained as a result of international influence (Allen & Carletti, 2008). For example, the increasing internationalisation of banking markets (Claessens, Demirgüç-Kunt, & Huizinga, 2000; Claessens & Horen, 2014; Mathieson & Roldos, 2001) means that it is extremely difficult for banks in any country to avoid international practices and laws. Further, financial institutions such as the International Monetary Fund (IMF) and the World Bank have implemented their own strategies and at times, essentially forced their policies and practices upon their member countries (Beck, Demirgüç-Kunt, & Levine, 2006; Reisman, 1992). International influence on domestic banks is clearly evident in the case of developing countries (Claessens et al., 2000; Claessens & Horen, 2014; The World Bank, 2000). Many developing countries have strengthened their banking regulations and adopted international policies, so as to ensure their acceptance in a global market (The World Bank, 2000). These international influences essentially represent a form of global standardisation, which may then reduce the operational gaps between banking practices in Sri Lanka and New Zealand. (The above presented summary of the findings is depicted in Figure 9-1 below).

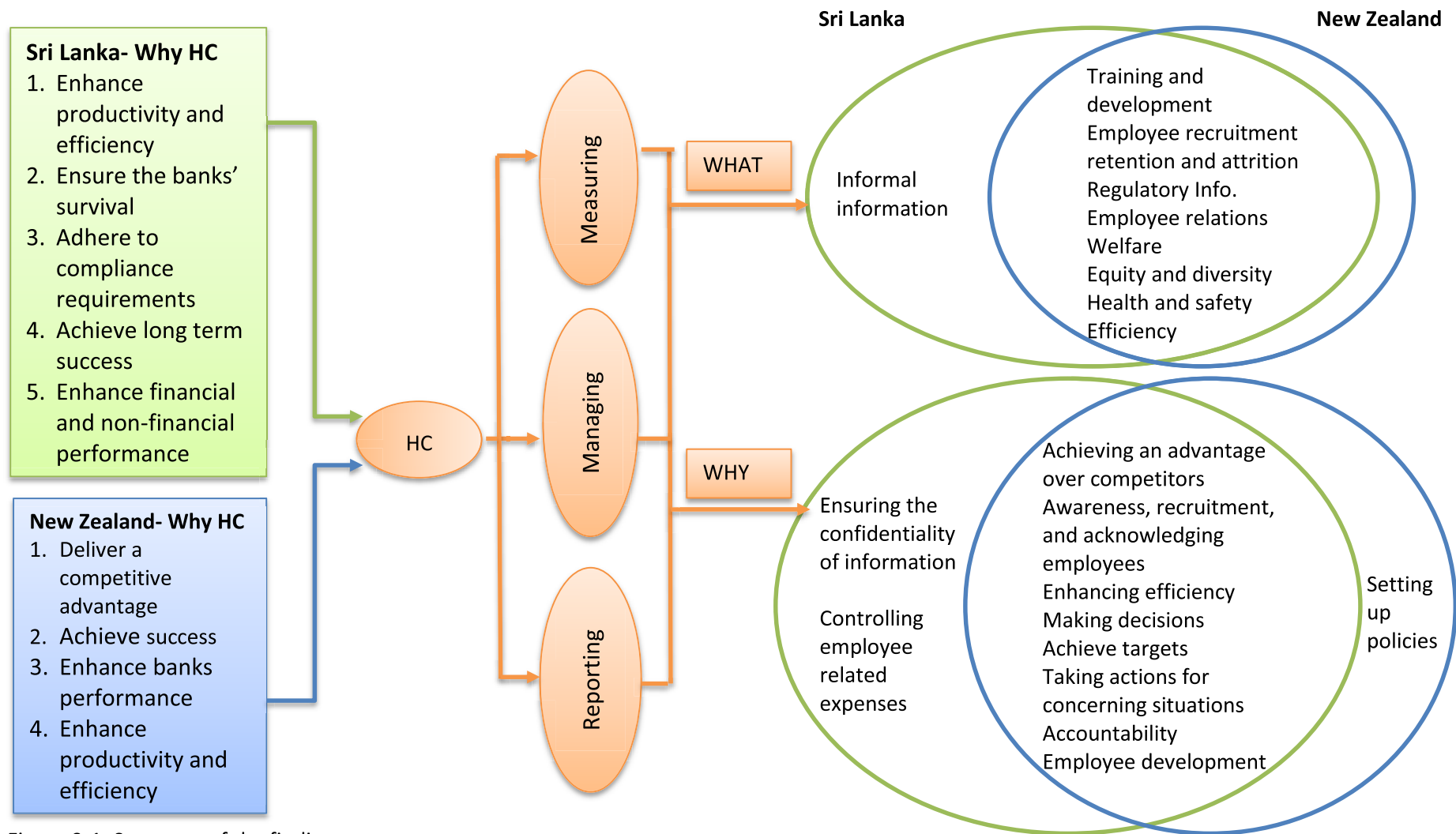


Figure 9-1: Summary of the findings

9.3 Limitations of this thesis

As with all research, this thesis has its limitations. The qualitative case study method was adopted and focused solely on the banking sector. At the time the interviews were conducted, there were a total of 34 banks in Sri Lanka, and 21 in New Zealand. Although the study invited all banks to participate only six banks from Sri Lanka and four from New Zealand agreed to take part. This could be due to the sensitive nature of the research topic and the various banks' communications policies. Specifically, this study collected data from 21 interviews in Sri Lanka and four in New Zealand. The sample size in New Zealand is therefore small. The small sample size meant that we must be careful not to generalise. In short, the sample may not be representative of all of the banks in their respective countries. As Adler and Adler (2012) note, the purpose of qualitative research is to "generate a subjective understanding of how and why people perceive, reflect, role-take, interpret, and interact" (2012, p. 8). In other words, qualitative research findings are theoretically valuable even though they may have fewer subjects than quantitative methods (Adler & Adler, 2012). In order to counter these limitations, the researcher decided to collect data from secondary resources.

The topic of this study was a sensitive one. Thus, many respondents were hesitant to provide detailed and in-depth information. Owing to the respondents' anxiety about the confidentiality of information, some interviews were not recorded. In this case, the researcher had to depend on the notes taken on the day. As a result, there is a possibility that some information was lost in the process of data collected during interviews. This may have had an impact on the reliability of this qualitative study.

This thesis also had to recognise a problem common in qualitative research; potential bias. This bias could have affected the process of formulating interview questions and probes, the selection of interviewees, the interview process itself, and the coding of the data, all of which were dependent upon on the researcher's knowledge and experience with the subject. Thus, it must be acknowledged that the findings may be biased as a result of these factors. The researcher recognises that this study is not free from subjectivity. However, this study has taken every possible step to reduce the potential bias and enhance the trustworthiness of the study (see Section 3.7 above).

9.4 Recommendations for future research

Owing to the limited time and space available, the researcher could not explore all aspects related to this study. Several implications arise from this. Firstly, the present study is an exploratory one, which provided empirical insight into how HC practices shape the banking sector in a developing country, Sri Lanka, and a developed country, New Zealand. In order to strengthen the conclusions drawn from this study, it would be appropriate to conduct similar comparative studies of different industries between Sri Lanka and New Zealand. This would also provide potential for broader generalisation of the findings and aid in theory development. A sterner test of the conclusions drawn from this study would be provided by comparative examination of banking intuitions in other locations, as well as industries outside banking, accounting and finance.

Secondly, the sample in this study was limited to only ten banks. Thus this study could be further extended to include larger samples. It would be interesting to see whether extended samples in very different locations would provide similar results. Such detailed research would provide both in-depth information on human capital practices and further evidence of this study's reliability and accuracy. It might also allow for generalisation of the findings, thus enhancing its utility.

Thirdly, studies on all three components of MMR on HCI in developing countries are rare. More importantly, comparative studies between developing and developed countries are almost non-existent; thus, there is much scope for further comparative study. It would be particularly fruitful to examine a range of countries with different cultural, political, social, economic and institutional environments. It is highly recommended that future studies use a qualitative approach because such a method allows the researcher to collect grounded information, enabling the inductive exploration of real organisational practices.

Fourthly, this study developed theoretical frameworks which demonstrate possible relationships between (1) HC and its implications and (2) MMR on HCI and their implications. Except for few (such as measuring HCI and decision making, HC and business performance, and deliver competitive advantage) instances, these relationships were not supported in the literature, and thus it would be interesting to have further studies to further investigate these relationships. This study introduced a variety of theoretical perspectives to provide systematic understanding on the above implications; however, there could be alternative theoretical perspectives which may shed further light on the findings of this thesis.

Finally, a particularly interesting finding emerged from this study which warrants further detailed examination. The Sri Lankan banks indicated that they gather informal information related to family background, schooling, and society, and employee related activities. In this context, informal information was seen as more important than formal information. This practice raises ethical questions about what personal information can and should be collected, and how it should and should not be used. This issue would need to be addressed in future studies.

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Appendix A: Coding process of Sri Lanka

Descriptive codes		Categories	Themes
Attributes of HC			
Achiever	Organising	<div> <div>Values</div> <div>Competencies</div> <div>Diversity</div> <div>Skills</div> <div>Engaged</div> <div>Experience</div> <div>Attitudes</div> <div>Knowledge</div> </div>	<div> <div>Values</div> <div>Competencies</div> <div>Engaged</div> <div>Diversity</div> </div>
Flexibility	Personality development Problem solving		
Loyalty	Responsible		
Attached	Knowledge -global business		
Attitudes	Sober		
Capabilities	Strategic thinking		
Commitment	Taking initiative		
Customer service	Sprit of innovations		
Communication	Act a roll in Family		
Accountability	Team working		
Competencies	competencies		
conduct	Knowledge about the society		
Cop-up	Trustworthy		
Dedication	Willingness		
Discipline	Skills		
Dynamic	Technical skills		
Diversity	Negotiation skills		
Decision making	Persuading skills		
Engagement	Employee responsibilities		
Ethical Behaviour	awareness		
Striving for	Business knowledge (KN)		
Excellence	Basic qualification		
Experience	General understanding		
Job specific Ex.	Critical analysis		
Firm specific Ex.	Knowledge		
Customer Ex.	KN about Technology		
Extra portfolios Ex	KN about competitors		
Management Ex	KN about industries		
Banking experience	KN about customers		
Fairness	KN about the bank		
Future oriented	Technical KN		
Goal Congruence	KN about Health		
Values	Compliances-KN		
Honest	KN - city and country		
Integrity			
Leadership			
Marketing skills			
Motivation			

Significance of HC

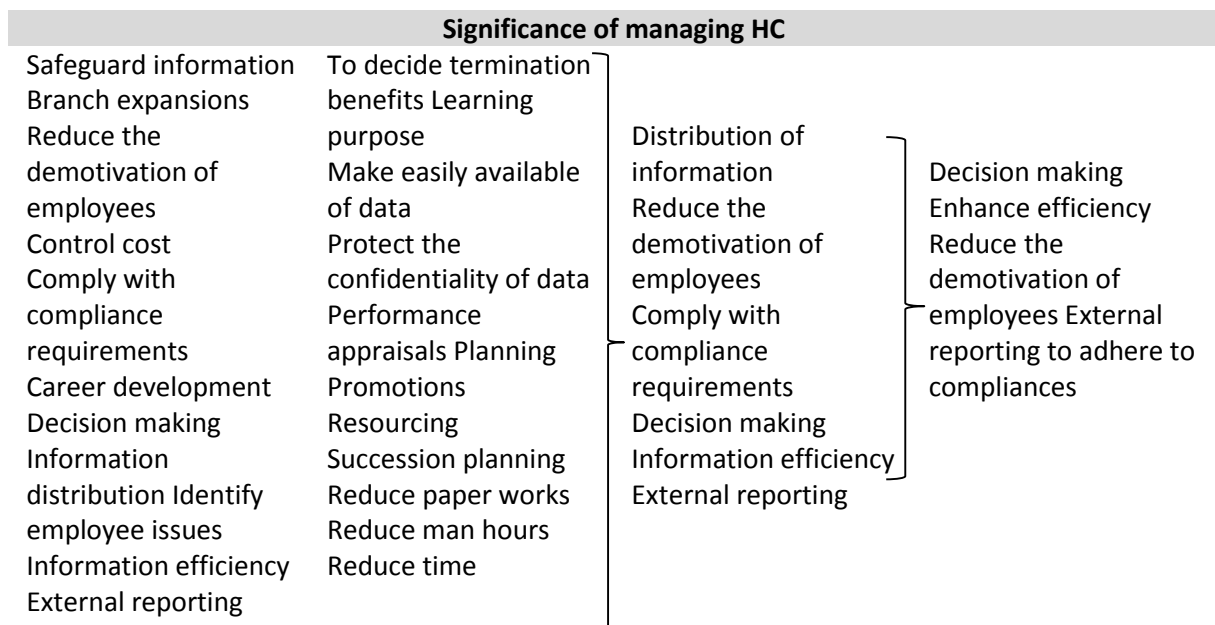
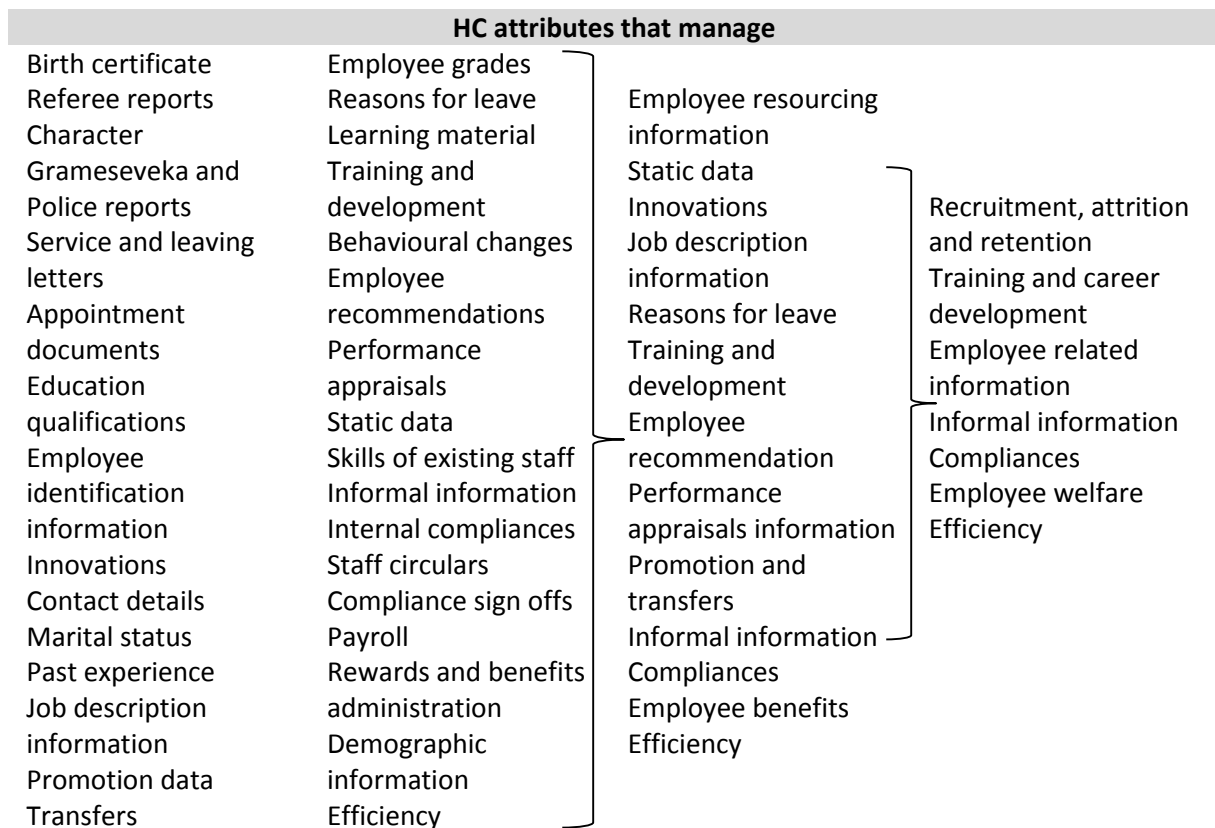
Attract, maintain and improve customer base	Enhance corporate reputation	Engage with stakeholders	Adherence to compliance requirements
Embrace emerging requirements and adopt to challenges	Benchmarking	Win the awards	Enhance productivity and efficiency
Achieve success	Assist in investment decisions	Create stakeholder values	Assure the banks' survival
Enhance business performance	Maintain and fostering stakeholder trust and confidence	Enhance business performance	Achieve long term success
Win awards	Make decisions	Assure the banks' survival	Enhance business performance
Organisational Development	Nurture social relationships	Achieve sustainable success	
Assist in career progress	Enhance productivity	Sustain in the competitive market	
Implement succession plan	Improve efficiency	Comply to regulatory requirements	
Achieve greater levels of customer satisfaction	Recognise employees	Enhance productivity & efficiency	
Sustain in the competitive market	Stimulate people talents		
Provide excellence customer service	Create values		
Comply to regulatory requirements	Accomplishment of task		
Provide value for employees	Assure the banks' survival		
	Make employees satisfied		
	Improve and maintain health standard of employees		

Significance of Measuring HC

Promotion	Enhance employee indicators	Justifying decisions	Make sure bank achieve set targets
Justifying decisions	Process control	Identify, implement, and evaluation of training and development	Get remedial actions for alarming situations
Resourcing	Assure achievement of targets	Get remedial actions through identifying alarming situations	Justifying decisions
Rewarding	Internal reporting	Controlling expenses	Controlling expenses
Identify training needs	External reporting	Identify employee risk	External reporting
Evaluate training outcome	Identify capabilities & willingness to career development	Achieve set objectives	
Implement	Planning	Internal reporting	
Succession plan	Comply with statutory requirement	External reporting	
Identify alarming situations	Adhere to internal compliances	Comply with statutory requirement	
Get remedial actions	Employee assessment		
Identify risk employees			

HC attributes that measure

Retention rate	Communication skills		
Total employees	Competencies		
Attrition	Training man hours		
Recruitment	Training investment		
analysis	Number of training programmes	Employee resourcing	
Employee breakdown	Internally trained staff to new recruit	Employee profile information	Employee resourcing, attrition and retention
Experience	Training days	Competences	
Knowledge	Number of trained people	Knowledge Diversity and Equity information	
Diversity	Training efficiency	Employee ratings	Training and career development
Number of staff covered by collective agreement	Career development	Career development	
Employees return to work after maternity leave	Bench strength	Health and safety	Equity
Turnover	Fit and proper	Employee satisfaction	Health and safety
Average rate of promotion	Profit per employee	Risk assessment	Efficiency indicators
Average absenteeism	Growth in number of branches Vs employees	Employee efficiency ratio	Employee welfare
Employee ratings based on service delivery	Health and safety	Employee benefits	Employee relation
Employee ratings Based on performances	Employee satisfaction	Employee engagement	Regulatory information
Employee ratings Based on skills	Risk assessment	Employee values	
Skill gap analysis	Transaction with KMPs	Return on Investment	
Training need analysis Learning component	Efficiency ratio	Compliances	
	Staff cost ratios	Employee performance	
	Employee benefits	Attrition	
	Compensation	Retention	
	Attitudes		
	Engagement level		
	Union engagement		
	Disciplines		
	Lifestyles		
	Character		
	Behaviour		
	Return on Investment		
	Employee Performance		



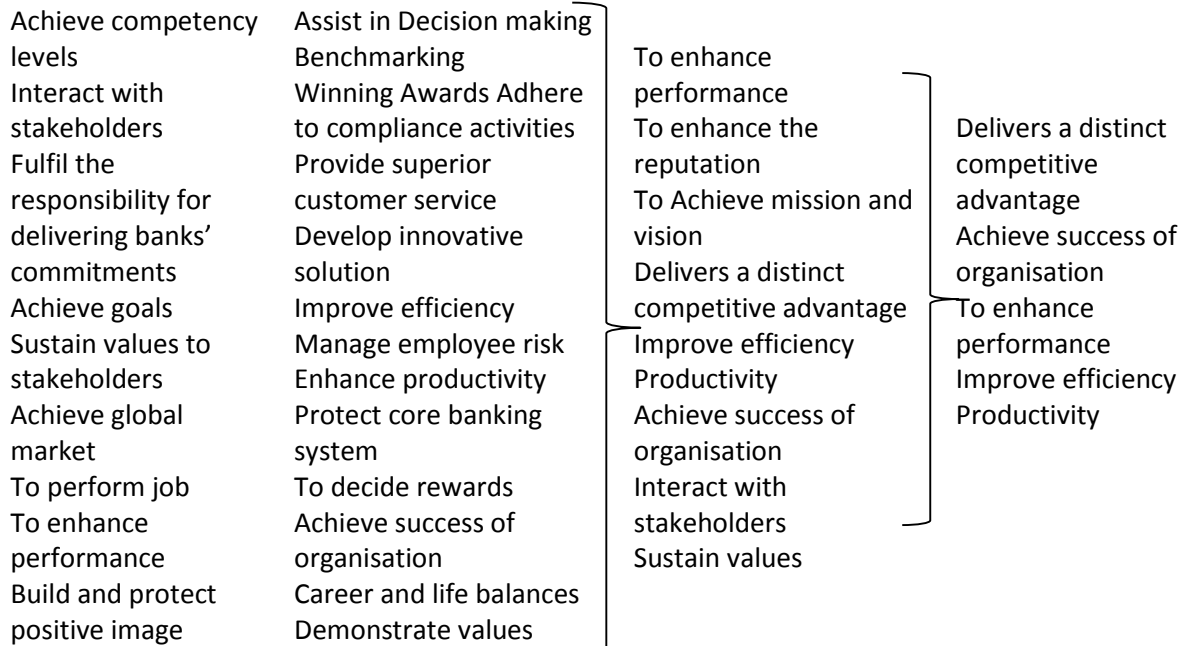
HC attributes that report			
Unionisation	Awards	Engagement information	Employee relations Employee welfare Equity information Information required by internal and external regulations Training, career development Health and safety Employee resourcing Efficiency
Innovations	Health and safety	Knowledge	
Engagement mechanism	Appointment/resignation of KMP	Employee benefits	
Financial benefits	Employee profile	Diversity and equity information	
Non-financial benefits	Fitness and propriety of directors	Internal compliances	
Retirement benefits	The role of KMP	Training, career and leadership development	
Work life balance	Ethics and Values	Compliances	
Compensation	Share option	People Risk	
Diversity	Employee Acknowledgement	Awards & achievements	
Skill and competency development	Recruitment procedure	Employee Acknowledgement	
Investment in skills and capabilities	Competencies	Health and safety	
Leadership development	Equality	Appointment & resignation of KMP	
HC policy	Rewarding	Employee profile	
Satisfaction	Innovations	Ethics and Values	
Knowledge	Employee resourcing	Competencies	
Succession planning	Employee turnover	Employee performance	
Career development	Employee retention	Employee satisfaction	
TD	Attrition	Employee resourcing, attrition	
Assess employee performance	Internally trained staff to new recruit	Efficiency	
Compliances	Employees return to work after maternity leave		
People Risk	Efficiency		
Employee achievements			

Significance of reporting HC			
Communicate with stakeholders	Competitive advantage	Communicate with stakeholders	Accountability Achieve competitive advantages Show commitment towards existing employees
Align with the industry practice	Decision making	Adhere to regulatory requirements	
Accountability	Enhance performances	Show commitment towards employees	
Acknowledge employees	Employee motivation	Accountability	
Achieve awards	Employee binding	Enhance reputation and benchmarking	
Benchmarking	Enhance efficiency	Achieve competitive advantages	
Attract customers	Highlights the strength	Enhance the transparency	
Attract right employees	Marketing tool		
Attract investors	Org. profiling		
employee Career progression	Preferred employer		
Adhere to internationally accepted best practices	Pressure from upper levels get awards		
Transparency	Regulatory Reputation		
	Stakeholder trust		

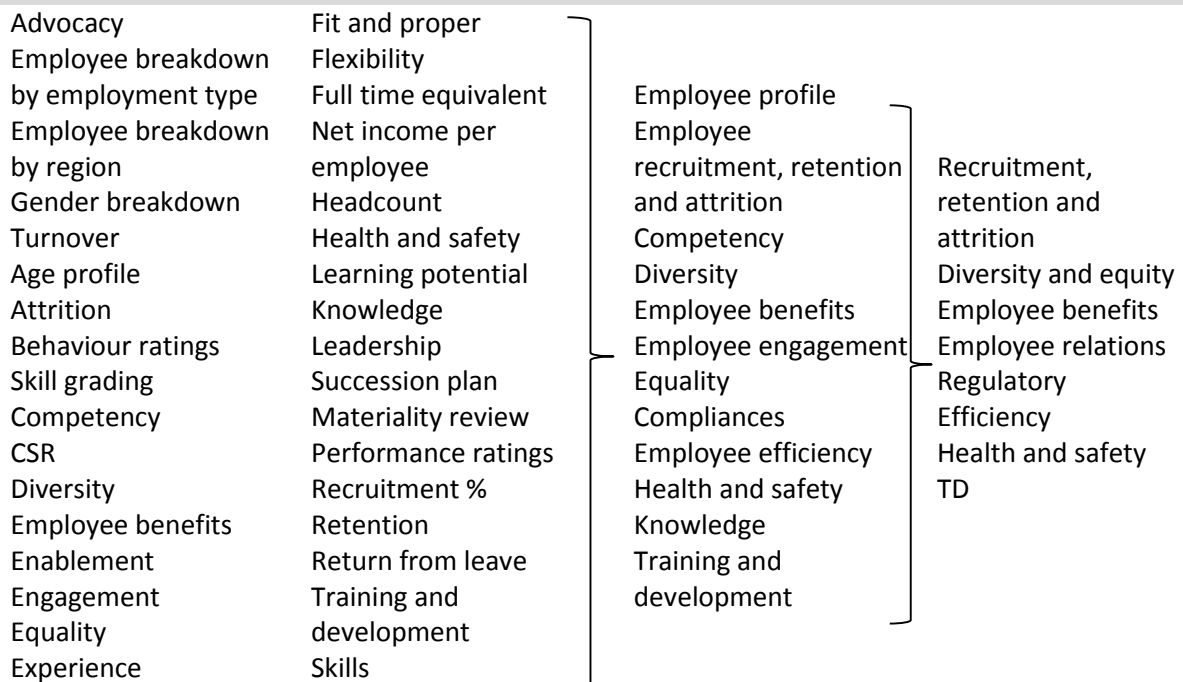
Appendix B: Coding process of New Zealand

Descriptive codes	Categories	Themes
Attributes of HC		
Ability to adhere to compliances	Exp. about bank	<div> <div>Values</div> <div>Attitude</div> <div>Abilities</div> <div>Skills</div> <div>Competencies</div> <div>Diversified</div> <div>Experience</div> <div>Knowledge</div> </div> <div> <div>Values</div> <div>Competencies</div> <div>Diversified</div> <div>Knowledge</div> </div>
Attention to detail skill	Equality	
Ability to delight customers	Future focus	
Achievement	Understand and support daily operational teams	
Build relationships with stakeholders	Hard work	
Engagement	Interpersonal skills	
Work under pressure	Initiatives	
Influence others	Integrity	
Attitude	Independency	
Achieve targets	KN - area	
Cop up changes	KN- industry	
Think critically and analytically	KN- bank	
Community involvement	KN from learning	
Commercial acumen	KN- health	
Work in deadlines	KN- policies and procedure	
Leadership	KN- role	
Public speaking	KN- security practices	
Business development skills	KN- the risk	
Behavioural skills	KN- regulations	
Communication skills	Marketing skills	
Competencies	Motivation	
Commitment	Numerical skills	
Caring	Negotiation skills	
Coordination skills	Organisational skills	
Coaching skills	Passionate about customer service	
Courage	Positive thinking	
Management skills	Planning skills	
Diversified and inclusiveness	Problem solving skills	
work force	Results driven	
Gender diversity	Self-confidence	
Cultural diversity	Skills	
Ethnic diversity	Be able to receive and apply new information	
Age diversity	Sensitive to deal with people	
Diversity perspective	Self-oriented	
Decision making skills	Strategic thinking skills	
Demonstrated ability	Target driven	
Experience	Team work	
Experience related to role	Values- Individual	
Experience about banking	Willingness	
Exp. in the same profession	Operate at a strategic level	
Exp. on customer service		

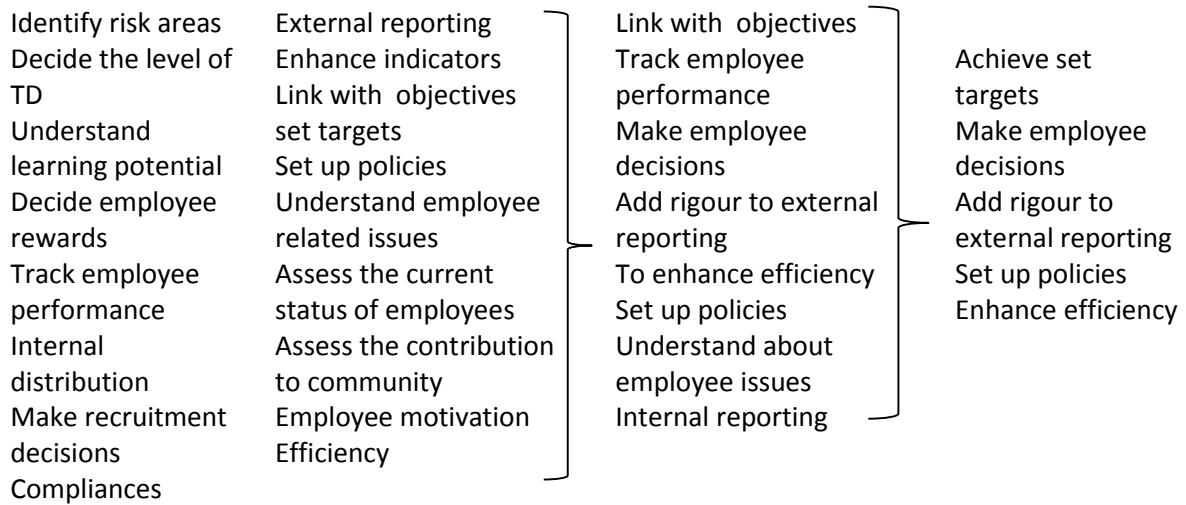
Significance of HC



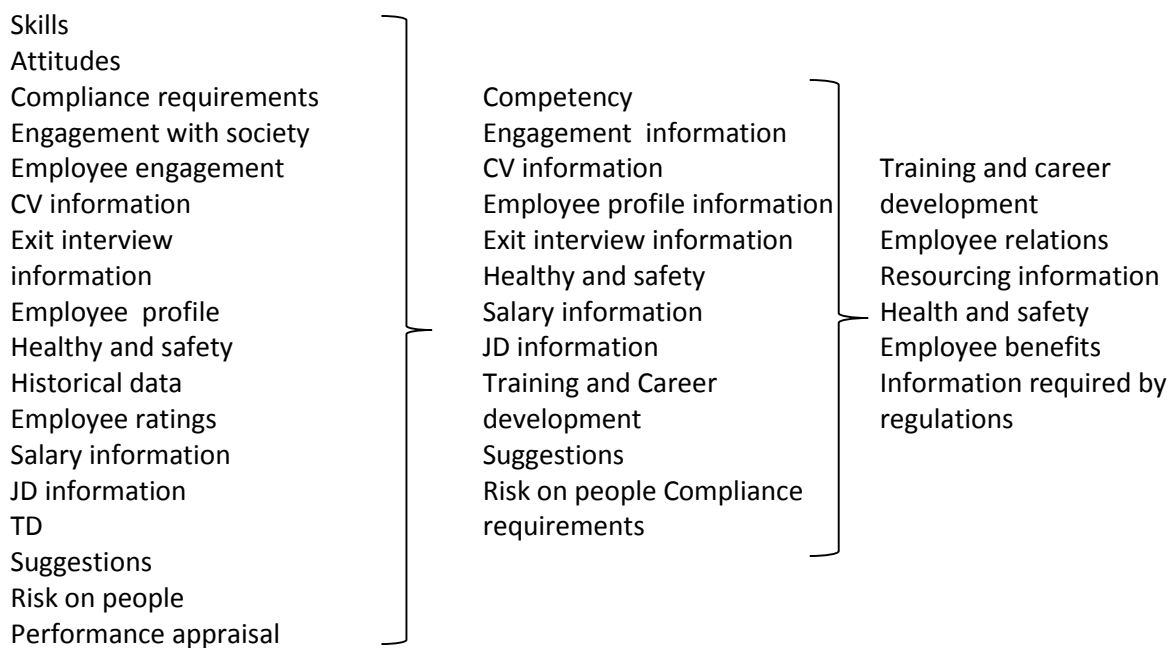
HC attributes that measure



Significance of Measuring HC



HC attributes that manage



Significance of managing HC

Career development	Mitigate potential damages	}	Decision making	}	Decision making External reporting Assure the efficiency Individual & organisational development
Compare and track employee progress	Objective setting		External reporting		
Provide updated information	Planning tool		Internal		
Decision making	Protect the trust		Make sure the quality, security and trustworthiness of the		
External reporting	Review periodically		Planning and management tool		
Internal reporting	Secure information		information		
Make sure the quality of the information	Succession planning		Assure the efficiency		
Management tool	Transfers & promotions		Training and career development		
Identify issues	Assure the efficiency		Identify issues, and mitigate potential damages/losses		
	Organisational development				
	Get to know about the employees				

HC attributes that report

Employee advocacy	Initiatives	}	Employee profile	}	Recruitment, attrition and retention Employee relations TD Diversity and Equity Employee welfare Health and safety Regulatory
Age profile	Investment in people		Recognition on employees		
Attitude	JD		Training and career development		
Awards for employees	Job grading		Competences		
Career opportunities	KMP		Diversity		
Commitment	Knowledge		Employee benefits		
Competency	Volunteering Leadership		Employee acknowledgement		
Diversity	Salary expenses		Engagement		
Employee achievement	Performance assessment		Employee health and wellbeing		
Employee benefits	Policies		Knowledge		
Employee breakdown	Profile		Equality		
Employee acknowledgement	Relationships		Compliances		
Enablement	Retention		Risk on people		
Engagement	Return from leave		Values		
Equality	Risk assessment		JD information		
Experience	Risk management		Return from leave		
Fit and proper	Salary ratio		Turnover		
Flexibility	Support to Senior employees		Retention		
Number of employees	Skills				
Health happy and safety	Ability				
	Succession plan				
	Enhance wellbeing				
	TD information				
	Transaction with KMP				
	Turnover				
	Values				

Significance of reporting HC

